



## Anexo XI: Approach and Principles of Nesting for REDD+ Initiatives (Projects and Programs) in Guatemala

Guatemala, September 2019



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## Acronyms

ACOFOP	Association of Forest Communities of Peten (Asociación de Comunidades Forestales de Peten)
AFOLU	Agriculture, Forestry, and Land Use
BUR	Biennial Update Report
CALMECAC	Fundación para el Desarrollo Integral del Hombre y su Entorno
CONAP	National Council of Protected Areas
CO <sub>2</sub>	Carbone Dioxide
DCP	Directorate of Public Credit
ER	Emissions Reductions
ERPA	Emission Reductions Payment Agreement
FC	Carbon Fund
FCPF	Forest Carbon Partnership Facility
FDN	Fundación Defensores de la Naturaleza
FIP	Forest Investment Program
FRL	Forest Reference Level
FREL	Forest Reference Emission Level
FUNDAECO	Fundación para el Ecodesarrollo y la Conservación
GCI	Institutional Coordination Group
GhG	Greenhouse Gases
GIMBUT	Inter-Institutional Monitoring Group on Forests and Land Use
GIREDD+	REDD+ Implementers Group
IFN	National Forest Inventory
INAB	National Forest Instituto
INGEI	Greenhouse Gases Inventory
LULUCF	Land Use, Land-Use Change and Forestry
MAGA	Ministry of Agriculture, Livestock and Food
MARN	Ministry of Environment and Natural Resources
MINFIN	Ministry of Public Finance
MRV	Measurement, Reporting and Verification
NDC	National Determined Contributions
PDB	Benefit Sharing Plan
PRE	Emissions Reductions Program

REDD+	Reducing emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks
SiREDD+	Information System on REDD+
TAP	CF Technical Assessment Panel
UNFCCC	United Nations Framework Convention on Climate Change

## Presentation

Guatemala has been making considerable efforts to mitigate climate change. In 2011, the country submitted to the Forest Carbon Partnership Facility (FCPF) Readiness Fund a proposal to prepare for Reduced Emissions from Deforestation and Forest Degradation (REDD+), in order to access resources to incentivize emission reductions in the Guatemalan forest sector.

In 2019, Guatemala submitted to the donors of the Carbon Fund (CF) of the FCPF its Emission Reduction Program (PRE) document in which the country presents the steps to follow to reduce up to a maximum of 10.5 tons of carbon dioxide over five years. Derived from this presentation, one of the requirements for the country to enter into an Emissions Reduction Payment Agreement (ERPA) is the submissions of a methodological proposal so that REDD+ initiatives (projects and programs), both current and future, can be aligned with national emissions accounting.

This document contains the principles and approach for nesting REDD+ initiatives to the PRE and its relation to the National Registry and Benefit Sharing Plan (PDB). This document will serve as a guide for the elaboration of the normative instruments that MARN with the support of the institutions that make up the GCI will adopt for the adequate nesting and registration of the country's REDD+ initiatives<sup>1</sup>.

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<sup>1</sup> The REDD+ Initiatives Registry will be part of the National Registry of Projects for the Reduction or Removal of Greenhouse Gas Emissions as indicated in Article 22 of the Framework Law on Climate Change.

# **1. Comprehensive, transparent and robust national carbon accounting system**

## **1.1 Reference Level of Forest Emissions and Removals**

Guatemala's Reference Level of Forest Emissions and Removals (FRL) for the PRE is based on GHG emissions at the sub-national level by accounting for CO<sub>2</sub>e, emissions from deforestation and forest degradation, and CO<sub>2</sub> removals by increasing carbon stocks. Activity data information on coverage and dynamics was generated by means of sampling based on a grid of 9,360 sampling points systematically distributed in the Program area performing a multi-temporal analysis from medium and high spatial resolution satellite images in the 10-year time period beginning in 2006 until 2016. This FRL has been prepared following the FC Methodological Framework and was reviewed and confirmed by a Technical Assessment Panel (TAP) in early 2019.

Guatemala submitted its PRE at the 20th CF Meeting, having been provisionally included in the CF portfolio. In addition, Guatemala is currently consolidating its National REDD+ Strategy.

Guatemala will submit its national FRL to the technical evaluation of the United Nations Framework Convention on Climate Change (UNFCCC) panel of experts for Land Use, Land Use Change and Forestry (LULUCF) for technical review, considering the harmonization between the FRL and the Agriculture Sector's National Greenhouse Gas Inventory (INGEI), Forestry and Other Land Uses (AFOLU), which will be presented in January 2021, with the Third National Communication on Climate Change and Guatemala's first Biennial Updated Report (BUR) to be presented by the end of 2020. This will also involve harmonization with the National Forest Inventory (IFN) and potential project proposals involving result-based payments from international cooperation.

The FRL for the PRE (aligned with the national FRL) may be updated as the country has better data and estimation methodologies than those currently available, in a process of continuous improvement.

With the adoption of this nesting approach and their links with the REDD+ Projects and Programs Registry System and the Benefit Sharing Plan, the country meets the criteria and indicators established in the CF Methodological Framework in reference to mitigate the risk

of double counting while still ensuring alignment with the national GHG inventories (FRL and MRV system unique and national).

## **1.2 Measurement, Reporting and Verification System**

The MRV system is national and is based on existing capacities in the country. The MRV is anchored in existing platforms, studies, data and processes, and is managed and operated by a diversity of governmental and non-governmental institutions, including academia, research centers and civil society organizations, essentially respecting the current legal frameworks: Forestry Law (Decree 101-96), Protected Areas Law (Decree 4-89), and the Framework Law to Regulate Vulnerability Reduction, Mandatory Adaptation to Climate Change Effects and Greenhouse Gas Mitigation (Decree 7-2013). These laws establish mandates to the different governmental institutions for the compilation and processing of information according to their scope of action.

Guatemala's MRV System is conceived as a collaborative inter-agency system that closely coordinates multi-stakeholder REDD+ actions. The MRV System has a steering committee, led by the Inter-Institutional Coordination Group (ICG) made up of the Ministry of Environment and Natural Resources (MARN), the Ministry of Agriculture, Livestock and Food (MAGA), the National Forest Institute (INAB) and the National Council on Protected Areas (CONAP), which has a political and technical component. The Inter-Institutional Monitoring Group on Forests and Land Use (GIMBUT) is made up of the GCI and two private universities, namely, Rafael Landívar University (URL) and the University of the Valley of Guatemala (UVG) y San Carlos de Guatemala University, which allows it to have the capacity to carry out annual/biennial measurements, reports and verifications of emissions and absorptions of GHGs from the AFOLU sector, aligned with the BURs publicly.

The monitoring of non-carbon variables, as well as safeguards will be in charge of CGI institutions according to the thematic competence of each one inside and outside protected areas. Currently, 10 categories and 27 indicators for monitoring non-carbon variables have been prioritized. For more than 15 years these categories of non-carbon variables have been monitored and reported by the different institutions of the GCI. In addition, there are at least 21 platforms and registration systems for the monitoring of these variables

## **1.3 FCPF requirements: MRV and FRL update**

The PRE Executing Unit (with the support of the GCI and GIMBUT) will analyze and process the information and results of the estimates during the ERPA period of the PRE. The INAB, through the Executive Unit of the PRE - currently in design - will be responsible for reporting and monitoring REDD+ activities for the CF during the PRE's implementation period to begin the verification process and provide accompaniment to it. This process will be accompanied by civil society, project stakeholders, and early REDD+ initiatives.

In relation to the frequency of monitoring and reporting during the ERPA period of the PRE, it is planned to carry out the monitoring of the FRL according to the following schedule:

- First monitoring report: report prepared in 2021 on monitoring carried out in December 31, 2019 - December 31, 2020.
- Second monitoring report: report prepared in 2023 on monitoring carried out in January 1, 2021 - December 31, 2022.
- Final report: report prepared in 2025 on monitoring carried out in January 1, 2023 - December 31, 2024.

The first monitoring report could include REs that have been generated prior to the ERPA period (under discussion), in accordance with the requirements established by the FCPF (potential request for retroactivity to the World Bank).

#### **1.4 Integration of REDD+ initiatives**

In Guatemala the implementation of conservation initiatives through REDD+ Projects has a long tradition, and even some of these projects have been recognized as examples of best practice. To be part of Guatemala's PRE, REDD+ Projects that voluntarily decide to participate in it (to date the Projects; Guatecarbon, Proyecto REDDes Locales para el Desarrollo and Proyecto Lacandón) must be methodologically harmonized with it, as otherwise it will not be possible to guarantee environmental integrity (e.g. ensure that double accounting will not occur).

In order to overcome these methodological differences between the scale of the Projects and the Program, Guatemala will use the concept of nesting, in order to integrate REDD+ Projects into broader (national/subnational) REDD+ Programs that include the areas of such projects.

Guatemala initiated a dialogue on nesting methodologies with the international standard VERRA-VCS and REDD+ project implementers since the preparation of the Letter of Intent (LoI) for the PRE. The inclusion of VERRA-VCS has been key in this process since most of the



early REDD+ initiatives in Guatemala are registered under carbon standards and some of them have Emission Reduction (ER) certifications granted by VERRA-VCS.

VERRA leads a current line of work to develop viable methodologies for nesting REDD+ projects in jurisdictional/national programs that employ an FRL and a jurisdictional/national MRV System. Understanding that there is demand in the generation of ERs from projects in the voluntary carbon market and at the same time recognizing that a jurisdictional regulatory and programmatic framework (for example, the PRE with the FCPF CF) and national (Nationally Determined Contributions -NDC- and Art.6 Paris Agreement) in carbon accounting must be respected ('Nesting Guidance' of July 11, 2019), VERRA supports the generation of options that allow the methodological alignment in carbon accounting for projects within the jurisdictional and national framework.

In Guatemala, several REDD+ Projects have been developed, registered with the VERRA-VCS standard and led by public and private entities, including: (i) Fundación para el Ecodesarrollo y la Conservación, FUNDAECO excluded from the PRE area with a private purchase-sale contract for carbon credits in the voluntary market valid until 2022; (ii) Consejo Nacional de Áreas Protegidas, CONAP, and Asociación de Comunidades Forestales de Peten, ACOFOP, (GUATECARBON), partially excluded from the PRE area; and (iii) Defensores de la Naturaleza (Lacandón Bosques para la Vida).

There are other projects under formulation that are not operating, associated with entities such as the Foundation for the Integral Development of Man and his Environment (CALMECAC) and Defensores de la Naturaleza (Sierra de las Minas).

There are also two projects under implementation (approx. 2,500 ha each) related to plantations for the production of natural rubber/hule (*Hevea brasiliensis*) in the PRE area (South Coast: Departments of Escuintla, Suchitepéquez, Retalhuleu and Izabal), namely: (i) Natural Rubber Production, Industrialization, Commercialization and Advisory Projects (ECO2 Rubber Forest Guatemala) and (ii) Promoting Sustainable Development through Natural Rubber Tree Plantations in Guatemala (Pica de Hule Natural S.A.). Both projects belong to the Western Group, are operating and are registered with the VCS.

As part of the national efforts to consolidate the National REDD+ Strategy in Guatemala, an Information System for GHG Emissions, Multiple Benefits, Other Impacts and Management and Safeguards, called SIREDD+, is being designed and developed, which should be aligned with the Registration System, the Benefit Distribution System and the Mechanism for Attention to Complaints and Conflict Resolution, which will be operating by the end of 2020.

These systems are being developed with additional FCPF preparation funds executed by the Inter-American Development Bank.

All REDD+ initiatives currently registered under VERRA-VCS or future initiatives potentially wishing to register under various standards must register with Guatemala's National Registry of REDD+ Initiatives. The registration requirement for all initiatives that generate certificates of removal or reduction of greenhouse gas emissions, that seek access to voluntary and regulated carbon markets is required by Art. 22 of the Framework law to regulate the reduction of vulnerability, mandatory adaptation to the effects of climate change and the mitigation of greenhouse gases (Framework Law on Climate Change-Decree No. 7-2013).

The following is a list of conditions that REDD+ initiatives should meet in order to join the ERP:

On a general basis:

1. REDD+ initiatives (projects and programs) shall be subject to each and every national or sub-national government rule, law, regulation, agreement or other rule relevant to nesting.
2. At the same time, REDD+ initiatives must comply, where appropriate, with the methodological requirements of the corresponding standard that will be, in any case, compatible with the methodological requirements established at the national level, the nesting standards and what is referred to in (1).
3. The baselines and measurements of REDD+ initiatives will always be derived from the national FRL and the national MRV system. In the absence of an approved national FRL (after review by the UNFCCC expert panel), baselines of nested REDD+ initiatives will be derived from the PRE FRL. Project baselines and measurements will be provided by MARN to Project and Program implementers.
4. The uncertainty analysis (and its corresponding discounts in the uncertainty buffer) will always be carried out at the national level (or at the level of the PRE accounting area, as long as the national FRL is not approved) in order to maintain consistency in emissions and removals accounting at the national (or jurisdictional) level.
5. After approval of the complete nesting regulations, the Program Entity (MINFIN) will send a letter to REDD+ Project implementers explaining the nesting approach, and the procedure for adjusting and updating project baselines according to new jurisdictional/national requirements.

Measurements or monitoring of the various REDD+ initiatives will be at the national level (single and national FRL and single and national MRV system, as indicated in the PRE and as determined by the PRE Executing Unit with the support of GCI and GIMBUT). GCI institutions will be responsible for monitoring according to the steering role and thematic competence of each institution. Additionally, such measurements and monitoring will be done through appropriate methodologies at all scales, with the objective of avoiding methodological inconsistencies and double accounting and also guaranteeing the environmental integrity of the Verified Emission Reductions.

In the case of REDD+ initiatives registered prior to PRE under other standards, such as VERRA-VCS, they must follow the new nesting rules and adapt to other aspects and requirements of the recently published PRE and those that will be developed in the future, namely:

1. Projects must be subject to any and all relevant national or sub-national laws, regulations, agreements or other government rules related with nesting.
2. REDD+ projects registered under other standards, shall comply with all the requirements of the national registry.
3. The assignment to such projects of their reference level derived from the jurisdictional (national/subnational) reference level covering the project area (provided that such jurisdictional reference level has been technically assessed and validated; e.g. by the FCPF TAP or UNFCCC experts) will be carried out by the PRE Executing Unit (with the support of the GCI and GIMBUT).
4. Projects may carry out appropriate uncertainty analyses at the project level according to the requirements of the standard where they are registered (however, uncertainty analysis will always be carried out at the jurisdictional level -PRE or National- to maintain the environmental integrity of the verified ER considering the discounts -buffer of uncertainty- always carried out at the program area level).

The government will analyze the possibility of establishing a period of adaptation (grandfathering) of the baselines of the REDD+ Projects to the FREL of the PRE taking into account the need to secure the commitments established with the Carbon Fund through the ERPA.

### **1.5 Methodological approach for the nesting of REDD+ Initiatives in Guatemala**

The Methodological Approach for the nesting of REDD+ initiatives in the PRE tries to adequately reflect the efforts made by the various REDD+ projects and programs (early

REDD+ initiatives and/or projects and programs) and by the other actors in the national territory in the conservation of forests and the fight against deforestation and forest degradation.

A general, easy-to-apply and transparent methodology is proposed. This methodology consists of distributing the FRL (or, if applicable, until it is officially approved, the Reference Level of Emissions and Removals of the PRE) in portions ('quotas') according to criteria that reflect the effort made by the various forest conservation agents and the fight against deforestation and forest degradation, among the various initiatives participating in the PRE (Projects, Mecanismos de Compensacion por Servicios Ecosistemicos y Ambientales asociados a los Bosques en el Marco de la Ley Pro-Bosques P-, rest of the programme area, rest of the national area). The results would be measured using the national MRV system, capable of estimating emissions and removals during the reporting period in the various areas of interest.

#### **1.5.1 Nesting based on quota allocation**

For the nesting it is proposed to use as variables to be considered in the distribution of 'quotas' of the FRL: (i) the current forest area within the initiative area (from the previous year of quota allocation) and (ii) the current deforestation/degradation rates within the initiative area (activity data from the two years prior to the quota allocation year), allocating to each FRL initiative 'quotas' proportional to the combination of both values. This proposal considers simple and fair methodological aspects of distribution and is based on two official variables that are obtained and updated in each monitoring event. Collect Earth's grid of sampling points has this information until 2016, but it will be updated soon until 2018 and then until 2020, coinciding with the beginning of the implementation of the PRE.

In addition to the variables mentioned above, three additional criteria are to be considered in order to establish the percentages of quota allocation: (i) protected area management category, (ii) water recharge areas, INAB's strategic ecosystems, and (iii) REDD+ sub-regions map. In any case, the information used will be official and generated by GIMBUT, particularly those officialized by CONAP and INAB.

All REDD+ initiatives (current and future), whether or not belonging to the PRE area, will be subject to this FRL 'quota' sharing system. An adaptation period and particularities could be considered for the various current initiatives, as indicated above. Quotas will be estimated and proposed by GIMBUT for approval. These quotas will be reviewed at each monitoring period to evaluate their update.

The measurement of the results (achievements) of each registered REDD+ initiative (in the Registry of REDD+ Initiatives in Guatemala) will be determined by MARN with support from CONAP and INAB under GIMBUT using data from the national MRV system. To measure results, the 'quotas' assigned to each initiative (baseline of each initiative) will be considered, as well as contributions to buffers, and other discounts that are listed later in this proposal.

The data and methods used for establishing the baselines of the initiatives (allocation of 'quotas') and for measuring the results obtained are therefore consistent with those used for the establishment of the FRL (and its updates) and the national MRV system. The data used, the methods and the allocated quotas will be communicated in time and form for each initiative. Also, the PRE Executing Unit (with the support of GCI and GIMBUT) should apply the percentage discount related to uncertainties, which as indicated, are calculated and applied at the jurisdictional/national level so as not to compromise the environmental integrity of the program according to the established FRLs. Some initiatives may require knowledge of the level of uncertainty associated with the ERs generated in their accounting areas and may have their own requirements for this purpose, as indicated above. The calculation of the level of uncertainty may be performed at the request of the initiative as a service delivery by the Implementing Unit of the PRE; however, the calculation of the levels of uncertainty in the areas of the initiatives will not be binding on the national/jurisdictional calculations of ERs. In order to compensate for possible imbalances in levels of emission reductions achieved at the jurisdictional level, a reserve fund will be created.

The periodic review and updating for each monitoring event (2 years) of the 'quotas' corresponding to each initiative of the national/jurisdictional FRL (and/or in its case the FRL update), will be done punctually so that the initiatives will have the calculations of their quotas. Deadlines will be established for reviews, claims and justifications, both for the updates of the FRL before it is sent to the CF or the UNFCCC, and for the quotas assigned to each initiative.

## **Nesting approach and Benefit Sharing Plan**

The quota mechanism, used as a technical solution to nest REDD+ initiatives in the FCPF CF ER Program, is applied to determine both the baseline of the REDD + projects and of the rest of the Program Area; so, the sum of all quotas must be equal to the FRL. The ERs units corresponding to each Project will be calculated at each monitoring event and these units may be marketed by the project implementers under certain conditions (meeting the ERPA commitments signed with the FCPF CF) in the voluntary market according to their standards, may be transferred to the FCPF CF Participants through the contract mechanisms established in the Benefit Sharing Plan (and receive the corresponding benefits) or sold to third parties. For the rest of the Program Area, the corresponding ER units will also be calculated using the corresponding FRL quota as a baseline and the benefits obtained from their sale to the FCPF CF Participants or third parties (beyond the volume committed with the FCPF CF) will be distributed according to the Benefit Sharing Plan.

## **2. Legal framework for nesting REDD+ initiatives in Guatemala**

Within the legal framework related to the nesting of initiatives, the "Framework Law to regulate the reduction of vulnerability, mandatory adaptation to the effects of climate change and the mitigation of greenhouse gases" (Decree No. 7-2013) stands out. The objective of this instrument is to establish the necessary regulations to prevent, plan and respond in an urgent, adequate, coordinated and sustained manner to the impacts of climate change in the country.

The implementation of REDD+ mechanisms in Guatemala contributes to the mitigation of GHGs through the prevention of deforestation, forest degradation, as well as the increase of carbon stocks, thus responding to the objectives of the Framework Law on Climate Change. It should be noted that Article 22 of this law states that initiatives that generate ER certificates must be registered with the registry that the MARN must create, which in turn is a requirement for the nesting of initiatives to be comprehensive.

### **2.1 Participating institutions: mandate and inter-institutional agreements**

The PRE-Executing Unit (with the support of GCI and GIMBUT), will perform the measurements and establish the quotas and must apply the percentage discount related to uncertainties at the jurisdictional/national level.

The institutions linked to the nesting process are mentioned later in this document. These institutions will be in charge of the elaboration and updating of the FRL, management of the MRV system, preparation of monitoring reports, reports to the UNFCCC (INGEI and BUR), registration of mitigation measures and ER transactions.

The institutions in charge of developing the PRE have the legal mandate and the technical and financial capacity to develop their roles and functions according to a robust, transparent and coordinated regulatory framework (inter-institutional coordination) and avoiding conflicts of interest.

By legal mandate of Article 22 of the Framework Law on Climate Change (Decree 7-2013), the MARN shall issue the necessary regulations for the creation and operation of the registry of GHG emission removal or reduction initiatives for the procedures of disclosure, promotion, registration, validation, monitoring and verification of projects. Currently, there is ongoing process for the elaboration of the regulations for the system of registration of GHG emissions removal or reduction projects. However, the existing regulation drafts must be updated to take into account the national context with the presentation of the ERPD as well as to address the issues of emissions accounting, establishment of quotas and the nesting of these initiatives within the accounting of emissions.

In an effort to coordinate the four institutions involved in land use and land use change - CONAP, INAB, MARN and MAGA- in 2015 an agreement was signed for the creation of the GCI, whose objectives are:

- Establish a coordination mechanism for the harmonization of policies of the represented institutions and to increase the effectiveness of conservation, management and protection of biodiversity and natural resources actions in the national territory.
- Coordinate the application of policies on the use, management, conservation, management and administration of renewable natural resources that will be oriented, promoted and applied for the planning and territorial rural development.

In addition, the agreement that created the GIMBUT has a duration of five years being signed by the authorities of each institution in 2015. GIMBUT's mandates are:

- The generation and systematization of the information produced in the institutions, in relation to the monitoring of forests and land use and other related issues, within the framework of the competences and capacities of each institution, harmonizing the information among the institutions that integrate the GIMBUT.

- The maintenance of a framework of action and technical inputs under an integrated vision for the generation of information that allows the implementation of forest monitoring projects and land use and its dynamics.
- The support to national actions and projects related to the National Strategy for the Reduction of Emissions from Avoided Deforestation and Forest Degradation in Guatemala, within the framework of the competencies and capacities of each institution.
- The coordination of actions with other national and international bodies related to the issue of forest monitoring and land use and other related issues.

## **2.2 Registered initiatives contributing to the National REDD+ Strategy**

REDD+ initiatives in Guatemala that make up the pool of nationally recognized mitigation actions must be formally registered. Registered REDD+ initiatives must be aligned with the National REDD+ Strategy and Framework Law to regulate vulnerability reduction, mandatory adaptation to the effects of climate change and greenhouse gas mitigation. Only those initiatives that satisfactorily meet the national eligibility criteria and requirements and contribute to the National REDD+ Strategy will be able to enjoy the rights and fulfill the duties derived from the registration act.

Among the initiatives that are contributing to the national REDD+ process, the PRE presented to the donors of the FCPF CF during the meeting of the CF20 Meeting in July 2019 stands out. The main objective of this programme is to reduce greenhouse gas emissions to a maximum of 10.5 million tonnes of carbon dioxide equivalent (CO<sub>2</sub>) equivalent a period of five years.

Another initiative that is prominent and contributes to the national REDD+ process is the REDD+ GuateCarbon Project, implemented by CONAP and ACOFOP, in the Mayan Biosphere Reserve-Multiple Use Zone (MBR-ZUM), with an area of 665,000 hectares. The project carries out activities of control and protection of the forest, forest governance, as well as development of productive alternatives that generate economic and social development for the local communities. The objective of the project is to reduce emissions from deforestation within the multiple use zone of the Maya Biosphere Reserve, one of the largest protected areas in Guatemala. A reduction of 37 million tons of CO<sub>2</sub> equivalent over a 30-year period is estimated, according to VCS. The project began in 2012 and will culminate in 2042. This project has a baseline validated and verified by VERRA-VCS. In August 2019 the project carried out a first verification (2012-2014 period) with a volume of



1,200,000 tons of CO<sub>2</sub> equivalent of which none has been commercialized and there is no sales commitment with any organization.

Also noteworthy is the project "Forests for Life" that is being implemented from 2012 and is expected to last until January 31, 2041. This project, led by Defensores de la Naturaleza - FDN-, is located in the Sierra de Lacandón protected area in the department of Petén. This initiative has a mitigation projection with more than 30 million tons of CO<sub>2</sub> equivalent over 30 years.

Also noteworthy is the FUNDAECO project (REDD+ Project for Caribbean Guatemala: the Conservation Coast). This emission reduction project is located in the Caribbean coast region of Guatemala (Department of Izabal). The project aims to reduce 23 million tons of CO<sub>2</sub> equivalent over a period of 30 years. The baseline of this project has the approval and verification by VCS. The FUNDAECO initiative is excluded from the PRE area of the FCPF and has a contract for the sale of carbon credits in the voluntary market valid until 2022.

Additionally, there are two projects (2,500 ha each) related to plantations for the production of natural rubber/hule (*Hevea brasiliensis*) in the PRE area (South Coast: Dptos. de Escuintla, Suchitepéquez, Retalhuleu and Izabal). The first of these initiatives -'Projects Production, Industrialization, Commercialization and Advice of Natural Rubber (ECO2) Rubber Forest Guatemala' - has the objective of reducing GHGs through the planting of rubber in lands that are degraded or in process of degradation. The initiative is categorized as reforestation, starting in 2011 and is expected to end in 2031. The geographic area of this initiative is distributed in three farms in the departments of Izabal and Escuintla. This initiative is expected to reduce a total of 1,065,264.82 tons of CO<sub>2</sub> equivalent over 20 years. The second of the initiatives -Promoting Sustainable Development through Natural Rubber Tree Plantations in Guatemala (Pica de Hule Natural S.A.)- is considered as afforestation, reforestation and revegetation under VCS standards, which seeks through the rubber plantation the mitigation of 3,900,439 tons of CO<sub>2</sub> equivalent. The initiative is distributed in seven farms implemented in the departments of Suchitepéquez, Izabal and Alta Verapaz. This initiative began in 2007 and is expected to end in 2049, with a total duration of 42 years. Both projects belong to the Western Group, are operating and are registered with the VCS.

Finally, there are other projects under formulation, such as the Foundation for the Integral Development of Man and his Environment (CALMECAC) and, once again, the Foundation for the Defense of Human Rights (Fundación de Defensores de la Naturaleza).

### **2.2.1 National Criteria for Registration of REDD+ Initiatives in Guatemala**

A minimum, verifiable set of national criteria is established, whose compliance is a condition for any REDD+ activity to be formally and publicly recognized as a contributor to the National REDD+ Strategy and registered in Guatemala's National Registry of REDD+ Initiatives<sup>2</sup> (act and number grant).

The established criteria are:

- Contribute to sustainable development.
- Comply with the social and environmental safeguards of the jurisdictional initiative in which it is nested.
- To be able to demonstrate the ownership/possession of carbon rights and the absence of land conflicts.
- Possess the potential to reduce emissions in the territories where the mitigation actions will be developed.
- Establish a Benefit Sharing Plan signed by the participants in the project.

### **2.2.2 Procedure for the registration of REDD+ initiatives**

The MARN will define the formal procedure for the evaluation and eventual registration of REDD+ initiatives in Guatemala, which includes:

- Publish national eligibility criteria and timeline for review and approval.
- Define and communicate conditions for existing REDD+ initiatives to meet the requirements for proper registration.
- Establish an evaluation mechanism for the assessment of compliance with national eligibility criteria.
- Establish procedural and documentation requirements for proponents of REDD+ initiatives to submit applications and documentation related to the registration process (e.g., project or program design document, evidence of compliance with national eligibility criteria, independent verification, etc.).
- Define requirements for transparency in decision-making by the authority, as well as timelines for the administrative registration procedure.

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<sup>2</sup> It is officially called 'Registro de Proyectos de Remoción o Reducción de Emisiones de GEI' and considers all the ER initiatives (not only REDD+ initiatives).

### **2.2.3 Rights and obligations of registered REDD+ initiatives**

Duly registered REDD+ initiatives will have access to a series of rights and obligations, among others:

- Right to be allocated a national/jurisdictional LRF 'quota' following the determined allocation methodology.
- Right to be part of the Benefits Sharing Plan of the PRE, for those initiatives nested into the PRE.
- Right to receive benefits from the Reserve of ERs when the period of compliance of a jurisdiction, program or project ends and can be used (this only refers to the national reserve and does not affect the buffer of uncertainty or reversion).
- Ownership or right over ERs generated in the project area/initiatives. These ERs will be determined using as baseline the FRL quota assigned ex ante and the biennial expost measurement of actual emissions by the national MRV entity, taking into account any applicable deductions for uncertainties and contributions to national reserves of ERs and trade restrictions, in compliance with ERPA agreements (committed volume).
- Right to see published in the registry of REDD+ initiatives the quotas of the FRL and the ERs assigned to the initiative.
- Right to request review and information, following the established procedures and deadlines, on previous allocations (FRL quota and ERs) and to receive a response within a reasonable period of time.
- Obligation to report any transactions of ERs to the registry of REDD+ initiatives, without losing the right to confidentiality of sensitive private information in accordance with applicable law.
- Obligation, if constituted, to contribute a predefined percentage of ERs to a reserve of ERs under the PRE/National as a risk mitigation mechanism for low jurisdictional return.
- Obligation to pay a fee proportional to the volume of ERs generated to contribute to the cost of maintaining and operating the national registry and MRV systems, and other institutional costs of the national nested REDD+ system.
- Prohibition to transfer ERs to entities of foreign parties wishing to use them to comply with their respective NDCs unless authorized by the designated national authority.

### **3. Guarantee mechanisms for fair and efficient performance of REDD+ initiatives in Guatemala**

In cases where a jurisdiction, program or project may have a significant underperformance for reasons beyond the control of the project proponent, does not enter into operation or does not guarantee the permanence of the ERs or the safeguards and regulations have not been respected despite appropriate warnings, the possibility of withdrawing the registration or "operating license" of a REDD+ project or jurisdictional program will be enabled if no ERs are generated for 5 or more consecutive years.

The triggers and legal conditions for such withdrawals will be clearly defined in the final document and will form part of the REDD+ regulatory framework.

An underperformance situation could occur for a variety of reasons, such as inefficiency in the design or implementation of REDD+ policies and programs at the jurisdiction level, leakage from displacement of activities caused by sub-jurisdictional activities, leakage from other jurisdictions, lack of funds, or a combination of all these factors.

Permanence refers to the concept that it must be ensured that verified emission reductions used to offset emissions accounted for under a cap and trade scheme are truly permanent. There is always the risk that a protected forest today could be deforested tomorrow, generating future emissions.

For both under-performance and permanence, appropriate insurance mechanisms are required, such as the creation of a verified emissions reserve, which could be cancelled in the case of under-performance or non-permanence, as well as other insurance mechanisms.

A project registry will measure the performance or underperformance and permanence of ERs under a nested scheme ensuring fair and efficient competition for REDD+ initiatives. (See Chapter V-National Registry of mandatory and complete REDD+ initiatives: design and information contained).

### **4. Strong institutional framework with appropriate regulations for REDD+ initiatives in Guatemala**

The institutional framework for nesting, as well as the registration of REDD+ initiatives within Guatemala's National REDD+ Strategy will be an institutional coordination among the various actors involved in Guatemala's REDD+ strategy. The key institutional actors within this strategy are MINFIN, MARN, CONAP, INAB, MAGA, MINFIN and government institutions that are required in the process, as well as the GCI, GIMBUT and GIRED+.

The functions and responsibilities of government institutions and inter-agency working groups are detailed below:

**MARN:** It is the public sector entity in charge of environmental matters. MARN is responsible for protecting the natural systems that develop and sustain life in all its manifestations and expressions, promoting a culture of respect and harmony with nature and protecting, preserving and rationally using natural resources in order to achieve a transgenerational development and articulating the institutional, economic, social and environmental task, with the purpose of forging a competitive, supportive, equitable, inclusive and participatory Guatemala.

Having direct competence in climate change and REDD+ (Framework Law on Climate Change -Decree 7-2013), through the Directorate of Climate Change and in conjunction with the GCI, MARN will be responsible for developing/modifying/updating the appropriate regulations:

- Regulation for the registration of REDD+ initiatives.
- Regulations for the benefit-sharing plan.

**MAGA:** It is the entity that promotes integral rural development through the transformation and modernization of the agricultural, forestry and hydrobiological sectors, developing productive, organizational and commercial capacities to achieve food security and sovereignty and competitiveness, with clear rules and regulations for the handling of products in the national and international markets guaranteeing the sustainability of natural resources.

**INAB:** It is an autonomous, decentralized state institution, created in 1996, with legal personality, its own patrimony and administrative independence. INAB is the governing entity in charge of the administration of forest resources outside protected areas. INAB's mission focuses on executing and promoting national forest policy instruments and facilitating access to the services provided by the institution to forest sector actors through

the design and promotion of programs, strategies and actions that generate greater economic, environmental and social development in the country.

CONAP: The National Council of Protected Areas (CONAP) is the highest organ of direction and coordination of the Guatemalan System of Protected Areas (SIGAP). It has jurisdiction over the entire national territory, its maritime coasts, and its air space. It has functional autonomy and its budget is composed of annually allocated by the State and specific donations from individuals, donor countries, international organizations and entities. CONAP, as land administrator within protected areas, can also propose a joint REDD+ initiative, as is the case of the Guatecarbon REDD+ project.

MINFIN: The Ministry of Finance is the Program Entity of the PRE, has the mandate to fulfill and enforce the fiscal and budget legal regime, the administration of tax revenues, the management of internal and external financing, budget execution and the registration and control of assets that constitute the State patrimony.

GCI: It is the group formed by MARN, MAGA, INAB and CONAP and is in charge of establishing a coordination mechanism for the harmonization of policies of the institutions they represent and to make more effective the actions for the conservation and sustainable management of natural resources, as well as to coordinate the application of policies on the use, management, conservation, management and administration of renewable natural resources that be oriented, promoted and applied for the planning and territorial rural development.

GIREDD+: This is a specific working group composed of national and international NGOs and community associations that have the capacity to implement REDD+ actions in their territories. The objective of GIREDD+ is to create a forum for dialogue, discussion and advocacy between implementers of REDD+ projects and demonstration activities, including proposals, methods and actions for reducing deforestation and degradation through direct field experience that allow feedback on both national and international policy processes through the active participation of its members.

## **5. Mandatory and comprehensive national Registry of REDD+ initiatives: design and contained information**

All REDD+ initiatives and projects must be registered in accordance with the requirements described in the Registry that the Framework Law to Regulate Vulnerability Reduction,

Mandatory Adaptation to the Effects of Climate Change and Mitigation of Greenhouse Gases (Decree 7-2013) stipulates in its Article 22 and that creates the Registry of Projects for Removal or Reduction of Greenhouse Gases Emissions (GHG). This registry will be ascribed to the MARN with the objective of having a system for recording mitigation actions, including the REDD+ mechanism, and all emission reduction transactions. This instance will issue a registration certificate when the project is registered.

This registry system will link the FREL established in the country, the MRV system and all REDD+ initiatives<sup>3</sup> into an integrated database, thus allowing transparent tracking of the origin and destination of each emission reduction at the level of each registered REDD+ activity. This registration system will be based on the terms of reference elaborated by Climate Focus that will be developed and implemented as part of the preparation stage of the National REDD+ Strategy supported by additional FCPF preparation funds executed by IDB and Consorcio Sud Austral Consulting S.p.A, GOPA Consultants, ForestFinest Consulting and Fundación CALMECAC.

This information system will be part of the National Climate Change Information System (SNICC), described in the Climate Change Law which is administered by the MARN.

The registry shall be of a public nature and shall include at least the following general information:

- a) Basic information of the MRV system, national FREL, emission factors, activity data, and biennial results.
- b) Regulatory framework applicable to all REDD+ initiatives.
- c) Procedures, timelines and forms that will be used to submit and process any application, claim, report, assignment, etc.
- d) Names and contact points of the national bodies to which any request for registration, complaint, transaction, etc. should be addressed.

The registration system must include at least the following information for each initiative:

- a) National approval letter demonstrating that the initiative is Registered, with all rights and obligations and a registration number.
- b) The documents submitted by the proposer that support compliance with the national eligibility and quality criteria.
- c) The document describing the project or jurisdictional program, with its participants, planned activities, duration, etc.

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<sup>3</sup> As well as other programs or projects that generate ERs.

- d) The accounting area (polygon of the area), in pdf format and shapefiles format to visualize and analyze in any geographic information system (GIS).
- e) The 'quota' of the assigned FRL, with the corresponding calculation.
- f) The volume of ERs achieved and allocated on a biennial basis, with the corresponding calculation, including any deduction for uncertainties and contributions to national reserves.
- g) All transactions of ERs, under certain privacy conditions.
- h) Authorizations from the designated national authority to transfer assigned ERs to another Party that may use them to comply with their respective NDCs.

The registration system should be a transparent, efficient and secure system managed by a single institution but fed by several other Guatemala institutions according to the national institutional arrangements and regulations developed for it.

## **6. National strategy and design of mechanisms to address a potential lack of results at the jurisdictional level**

The nested system only makes sense if there is legal certainty for registered REDD+ initiatives that will receive an allocation of CERs according to established rules, regardless of the performance of other REDD+ initiatives and the entire jurisdiction. The nesting system has the ultimate goal of avoiding double counting of emissions.

The mechanism/regulation to preserve the environmental integrity of ERs allocated to registered REDD+ initiatives will consider the following criteria:

- ERs should be calculated by summing the biennial results obtained in each REDD+ initiative cumulatively. This implies that, if an initiative has emissions above FREL in certain years, it will first have to offset these emissions before receiving an allocation of ERs.
- The establishment of a national reserve fueled by a percentage of the ERs initially allocated to each nested initiative will allow the jurisdiction to cancel its environmental debt within a reasonable timeframe.
- Contributions could also be collected in the form of payments into a fund that would be used to acquire ERs from other jurisdictions and sectors.

The MARN in conjunction with the GCI should define the percentage of contribution to the national reserve, which can be determined, initially, with a risk analysis and would be adjusted in a fixed period of time (every 4 years) or according to the results obtained by each initiative and the general performance of the jurisdiction after monitoring.



