REVISION OF THE ECOSYSTEM SERVICES PROCEDURE (PHASE 2)

CONCEPTUAL REPORT FOR PHASE II OF THE REVISION OF THE ECOSYSTEM SERVICES PROCEDURE (FSC-PRO-30-006)(MOTION 49/2021)

Forest Management and
Climate & Ecosystem Services Programmes

FSC FORESTS FOR ALL FOREVER™

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MOTION 49
INTRODUCTION

FSC FORESTS™ FOR ALL FOREVER

Motion 49/2021 "FSC Ecosystem Service Procedure as a mitigation mechanism to meet global market demand for net-zero and net-positive targets"

Action Point 1:

"*FSC shall revise the Ecosystem Services Procedure to approve the use of FSC certification and verified positive ecosystem service impacts for* ***making claims*** *towards achieving certificate holders (CHs) and sponsors' science-based targets at all stages of the mitigation hierarchy,* ***including water neutrality, net-positive or no-net-loss biodiversity, net-zero climate impacts, and integrated nature-positive strategies****. FSC-verified positive ecosystem service impacts can be applied to avoidance or reduction targets, and* ***compensation or neutralization claims shall only be applied to residual impacts*****".**

Motion 49/2021
CONSIDERATIONS

OFFSETTING

Some actions of Motion 49/2021 were already addressed, either fully or partially, during phase 1. However, the most challenging aspect of this motion (Action Point 1), which includes ***compensation and neutralization claims, such as offsetting*** *– was deferred to phase 2, as it demands considerably greater effort.*

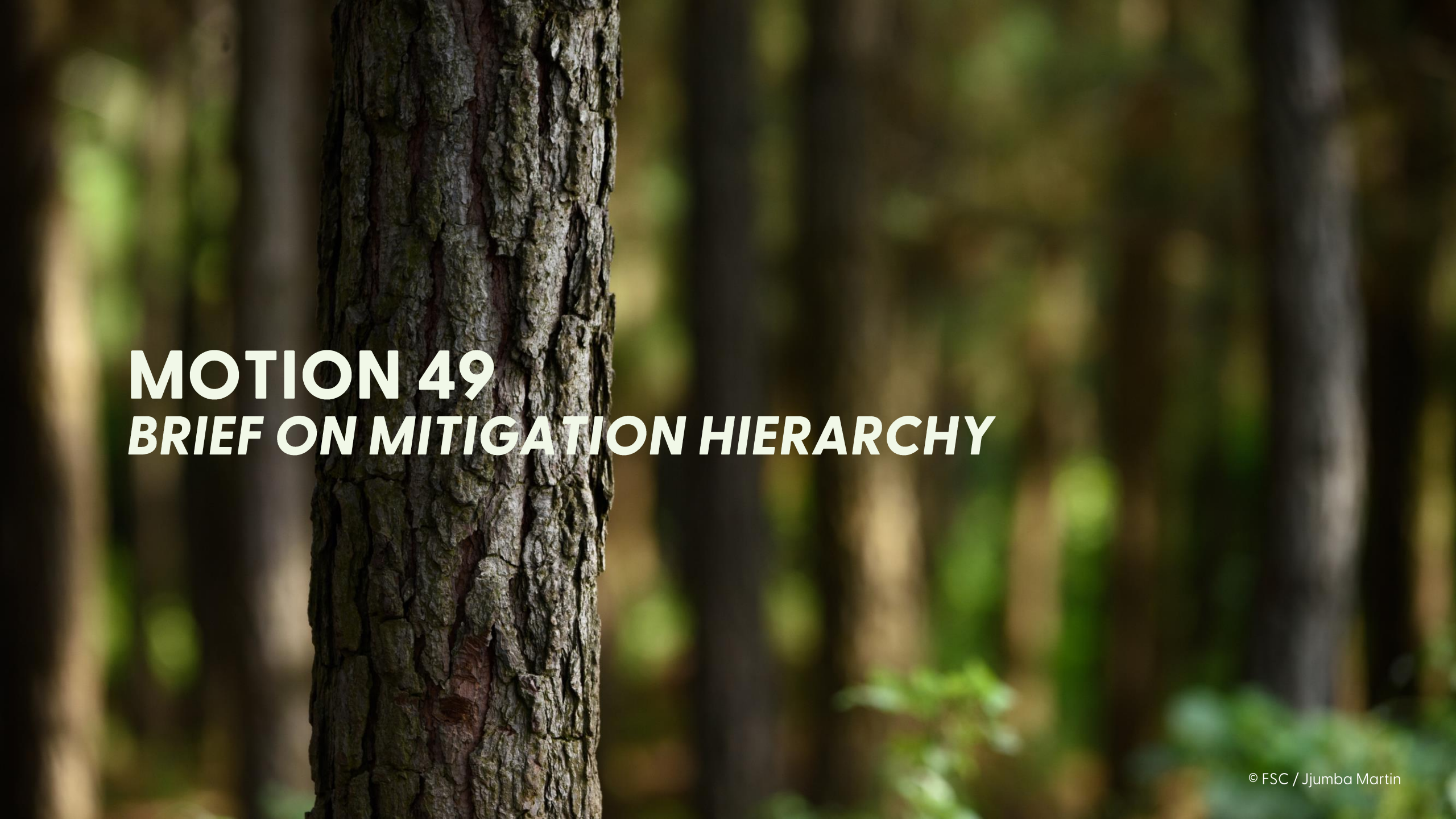
FSC AS AN OFFSETTING MECHANISM

The implementation of Motion 49/2021 is expected to significantly impact the FSC Ecosystem Services Procedure, enabling Ecosystem Services Claims to be used for compensation and neutralization. This would position ***FSC as an offsetting mechanism, particularly for carbon and biodiversity****. Such a transition would necessitate* ***robust safeguards to ensure these claims effectively counterbalance residual impacts and emissions****.*

RELATED FEATURES & CHANGES

As a result, FSC may need to strengthen the requirements in the Ecosystem Services Procedure and develop its own methodologies for carbon, biodiversity, and water impact accounting. Additionally, FSC may need to establish normative requirements aligning with the independent third-party validation and verification assurance system for carbon offsetting. ***These changes might represent significant reforms to the FSC system****, potentially requiring substantial investments in personnel, time, and technology.*

MOTION 49
BRIEF ON MITIGATION HIERARCHY



Quick Glossary

1. **Mitigation hierarchy** refers to a tool used for limiting the amount of damage an action can have on an environment. Steps include (BBOP 2018):
   - **Avoid** refers to measures taken to avoid creating impacts from the outset.
   - **Minimise** refers to measures taken to reduce the duration, intensity and / or extent of impacts.
   - **Restore** refers to measures to rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and/or minimized.
   - **Offsets** refer to measures taken to compensate for residual significant adverse impacts that cannot be avoided, minimized, rehabilitated, or restored.
2. **No-Net-Loss** refers to offsetting residual impacts on biodiversity to compensate for the biodiversity losses due to project activities only after the strict application of the mitigation hierarchy.
3. **Net Positive Impact, also known as Net Gains,** refers to additional, positive biodiversity outcomes achieved in relation to the overall impact on biodiversity due to a project intervention. When these positive outcomes exceed the losses incurred by the project, a net positive impact/net gain is realized (IUCN 2015).

Mitigation Hierarchy:

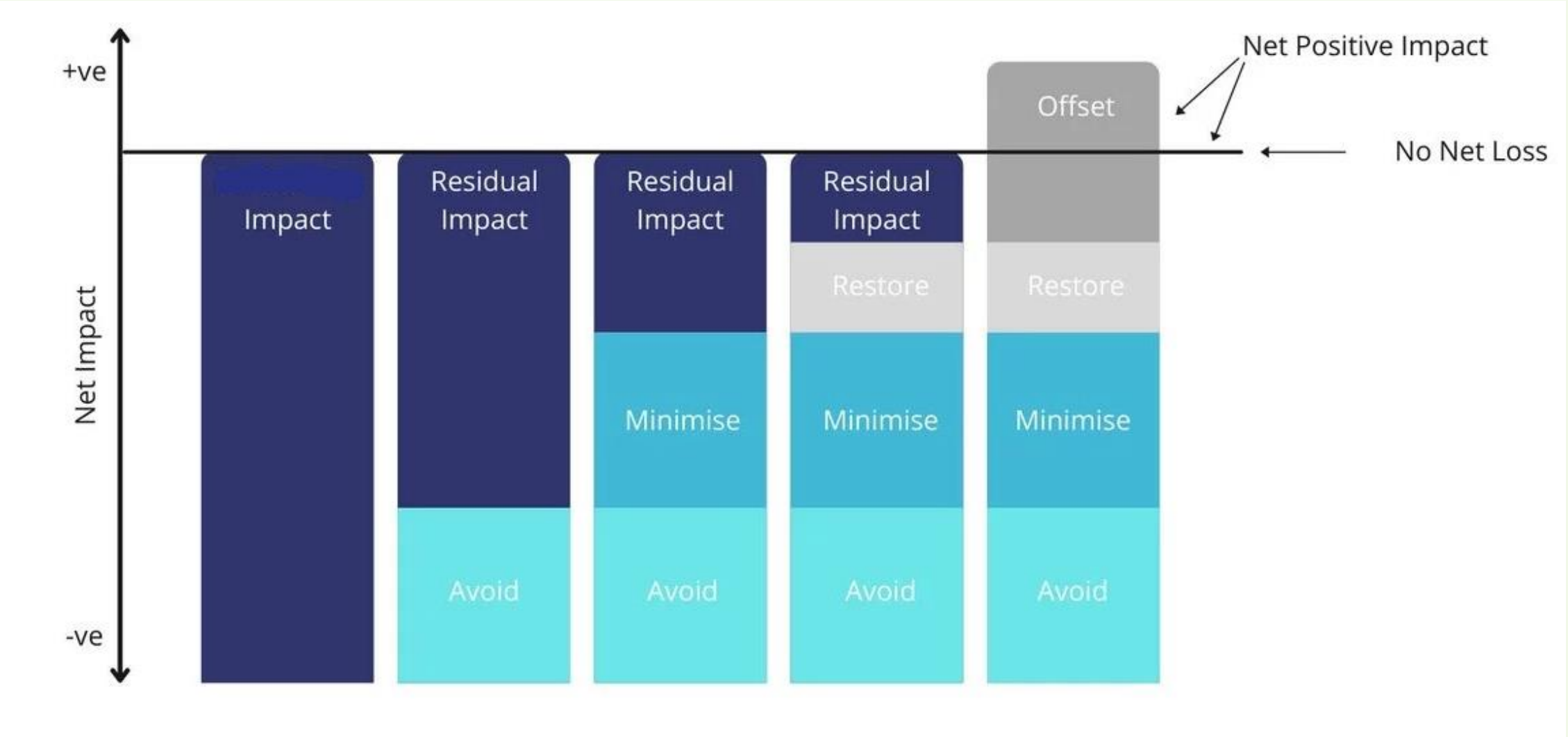


Fig. 1: Mitigation Hierarchy. Adapted from The Biodiversity Consultancy (2024). Mitigation Hierarchy, https://www.thebiodiversityconsultancy.com/our-work/our-expertise/strategy/mitigation-hierarchy/ (accessed August 15, 2024)

MOTION 49
KEY TOPICS

Motion 49/2021

MAIN TOPICS OF PUBLIC CONSULTATIONS

TOPIC 1
Compensation and Neutralization (Offsetting)
(carbon, biodiversity, water)

TOPIC 2
Residual impacts
(carbon, biodiversity, water)

(GENERAL)

TOPIC 3
Net Zero Climate Impacts /Carbon Offsetting
(carbon)

TOPIC 4
Net-positive Impact
(biodiversity)

TOPIC 5
Water Neutrality/Offsetting
(water)

(SPECIFIC)

TOPIC 6
Validation and verification assurance system
(carbon, biodiversity, water)

TOPIC 7
Claims
(carbon, biodiversity, water)

(GENERAL)

MOTION 49
PROPOSALS/OPTIONS FOR IMPLEMENTATION

Topic (1/7)
Options for implementation

TOPIC 1: Compensation And Neutralization (Offsetting) (Carbon, Biodiversity, And Water) In Normative Documents

	Options for Implementations	PROS	CONS
1	**One document – one type of claim:** One document where all requirements would be lifted up to compensation (offsetting), one type of claims, all CHs need to comply with stringent safeguards.	• All requirements will be in **one document**. • **No differentiation** between claims. safeguard.	• It might create a **burden** for some FSC certificate holders who cannot comply with these stringent criteria (due to **complex methodologies** etc.) • **Reduced flexibility** in application of this procedure. • It may **overcomplicate** the process.
2	**One document – two types of claims:** One document with two-tier requirements (one covering compensation and lower bar requirements for other uses).	• All requirements will be in **one document**. • Allowing **access** to this procedure to a **wide range of users**.	• **Complexity** when it comes to deciding which claim to approach. • Might be **difficult to navigate** in the document, **too many options**, **approaches**. • **Difficult option** even for the market to understand.
3	**Two documents – two types of claims:**	• **Clear segregation** of different **claims** and **uses**. • It would be **easier to manage** the program with two separate produce offerings.	• Having **two types of claims** might be **confusing**.

Provide your comments at the Public Consultation page of Motion 49/2021.

Topic (2/7)
Residual Impact

Carbon

- ***Residual emissions*** are those that remain after all possible mitigation measures to limit warming to 1.5°C have been applied.
- ***Near-term science-based targets*** must cover 95% of scope 1 and 2 emissions, and if scope 3 emissions are 40% or more, companies must address at least 67% of scope 3 emissions.
- ***Long-term science-based targets*** must cover 95% of scope 1 and 2 emissions and 90% of scope 3 emissions.

Biodiversity

- ***Biodiversity offsets*** are used only after efforts for avoidance, minimization, and restoration have been exhausted
- ***Regulatory and Voluntary Frameworks*** mandate a strict mitigation hierarchy and comprehensive offset strategies, including stakeholder engagement and ongoing monitoring.
- ***Residual Impact Stage:*** Important to see if all the stages before offsetting covered strictly, Biodiversity Offset Management Plan, key ecosystem indicators, scientific models, reference sites, sites selected for offsetting etc.

Water

- ***Water compensation strategies*** are often needed for development projects to balance their impact on water resources.
- ***Water-related indices*** are utilized to calculate offset units for residual impacts.
- ***Residual Impact Management Plan*** is available for a description of compliance with all necessary stages and the requirements for water offsetting.

Topic (2/7) Proposals

Topic 2: Requirements to determine when residual impact stage is reached for compensation/neutralization (carbon, biodiversity, and water)	
	Proposals for Implementations
1	***Carbon:*** **Include criteria aligned with Science Based Target initiative (SBTi) and Geenhouse Gas (GHG) Protocol standards.**
2	***Biodiversity: Include*** **criteria for validating the residual impact stage aligned with the Business and Biodiversity Offsets Program (BBOP)** (option for other proposals included)
3	***Water:*** **FSC to develop criteria for assessing that this stage is reached by the companies/sponsors.** (option to suggest other proposals included)

Provide your comments at the Public Consultation page of Motion 49/2021.

Topic (3/7) Proposals

Topic 3 – Compensation/Neutralization/Net Zero Climate Impacts (Carbon Offsetting)			
	Proposal for implementation	**PROS**	**CONS**
1	**FSC aligns with the requirements of the Integrity Council for the Voluntary Carbon Market (ICVCM)'s Carbon Core Principles** (Including: Additionality, Permanence, Robust quantification of emission reductions and removals, Leakage estimation, no double counting, and robust independent third-party verification) (Carbon Offsetting)	Generation of high-quality carbon credits for carbon offsetting.	Resource intensive requirements for companies to ensure compliance.

Provide your comments at the Public Consultation page of Motion 49/2021.

Topic (4/7)
No-Net-Loss (Biodiversity Offsets) and Net Gains/Net Positive Impact (Biodiversity Credits)

Biodiversity Offsets are intended to **compensate** for any significant residual impacts on biodiversity after efforts to prevent and mitigate harm have been implemented.

- *Use Case: Compliance or Voluntary.*
- *Strictly Government regulated ·(e.g. England's Biodiversity Net Gain, US California Wetland Banking)*
- *Traded strictly within the country boundaries*
- *They require like-for-like replacement.*

The biodiversity credits are "an economic instrument that can be used to finance actions that result in measurable positive outcomes for biodiversity (e.g., species, ecosystems, natural habitats) through the creation and sale of biodiversity units"

- *Use Case: Voluntary.*
- *They are **not designed to offset** impacts on biodiversity.*
- *Ecological equivalence is **not relevant***
- *Can be traded **across borders***

- Biodiversity Credits do not involve serious integrity risk for FSC, opposed to Biodiversity Offsets.
- Biodiversity Credits generation contributes toward the positive nature outcomes.

Topic (4/7)
Options for Implementation

Topic 4: Implementation Of Net Positive Impact (Biodiversity Credits)

	Options for Implementation	PROS	CONS
1	**To create a distinct normative document in the form of a biodiversity credits standard including the criteria required for the generation of robust biodiversity credits**	A **separate, comprehensive normative document** specifically for biodiversity credit generation, including all essential criteria and methodology to ensure clarity and consistency and product differentiation	This may create confusion.
2	**Incorporating Biodiversity credits requirements in the Ecosystem Services Procedure**	One **unified** document.	This adds **complexity and confusion**, as there will be two categories of biodiversity in one document and additional requirements for biodiversity credit generation.

Provide your comments at the Public Consultation page of Motion 49/2021.

Topic (4/7) Proposals

Topic 4: Net Positive Impact

	Proposal	PROS	CONS
1	**FSC's approach to biodiversity credits should follow high integrity criteria—such as biodiversity credits accounting, additionality, leakage and others – drawn from established voluntary biodiversity credit standards.** **Biodiversity Credit Alliance (BCA)** is working on principles and criteria for global credible biodiversity credits. Once the requirements will be in place, FSC will work on full alignment.	FSC will continue working towards integrating high integrity criteria for biodiversity credits.	The development of principles and criteria for high-integrity biodiversity credits by the BCA may still take a long time.

Carbon Offsetting can take two forms:

- Compensation: Actions that companies take to help society avoid or reduce emissions outside of their value chain.
- Neutralization: Measures that companies take to remove carbon from the atmosphere and permanently store it to counterbalance the impact of emissions that remain.

Provide your comments at the Public Consultation page of Motion 49/2021.

Water Neutrality/Offsets Topic (5/7)

For **water neutrality/offsetting**, technical analysis carried out in Conceptual Stage, did not identify any renowned water offsetting schemes comparable to the carbon crediting schemes. Therefore, we have included only **questions, rather than proposals**, in the public consultation to gather responses about whether any recognized schemes exist that we could refer to or adopt their criteria for inclusion in our normative document.

Topic (6/7)
Validation and Verification (Carbon Offsetting)

FSC has an independent third-party assurance system involving independent organizations (certification bodies) that conduct forest management and chain of custody evaluations that lead to FSC certification.

Carbon Crediting Programs involves Verification and Validation (V/V) assurance:

- Validation and verification are conducted by the validation and verification bodies (VVBs) to see if a project has met all the rules/requirements and the project outcomes have been achieved.

1. Assurance Services International (ASI) is FSC's global assurance provider that accredits and oversees the performance of the certification bodies to ensure that FSC standards are implemented correctly.
2. Certification bodies are accredited to <FSC-STD-20-001 General requirements for FSC accredited certification bodies > which serves as FSC's core standard for certification bodies. This standard is predominantly based on ISO/IEC 17065:2012 (Conformity assessment – Requirements for bodies certifying products, processes and services).

Conformance is needed with;

1. ISO/International Electrotechnical Commission (IEC) 17029:2019 (Conformity assessment – General principles and requirements for validation and verification bodies)
2. ISO/IEC 14065:2020 (General principles and requirements for bodies validating and verifying environmental information).

Topic (6/7) Proposals

Topic 6: Verification And Validation Assurance System (Carbon Offsetting)

	Proposals	PROS	CONS
1	FSC proposes ISO/IEC 17029:2019 and ISO/IEC 14065:2020 as the relevant accreditation requirement for CBs that intend to conduct activities on carbon offsetting under the FSC Forest Management Certification.	Establishes clear normative accreditation requirements.	Not all CBs are accredited as VVBs.
2	ASI is the FSC's global assurance provider, however, for carbon offsetting, FSC proposes to accept the accreditation to ISO/IEC 17029:2019 and ISO/IEC 14065:2020 from other accreditation programs recognized under International Accreditation Forum (IAF) as proxy accreditation, meaning an FSC CB that hold accreditation on ISO/IEC 17029:2019 and ISO/IEC 14065:2020 can qualify for conducting certification activities.	The pool of CBs may increase.	Cost may increase for CBs for extra accreditation.
3	CBs/VVBs' conformity to ISO/IEC 17029:2019 and ISO/IEC 14065:2020 alone would not be sufficient, as the FSC needs to adapt these ISO standards to align with the FSC normative framework. Therefore, FSC proposes specifying additional requirements on top of these ISO standards, such as process requirements for carbon projects, personnel competency, and other relevant criteria, etc.	Availability of specific normative requirements ensuring credibility, standardization, accountability, and compliance.	Resources in terms of time, finances, and personnel will be needed.

21 Provide your comments at the Public Consultation page of Motion 49/2021. Note questions related to the assurance system for offsetting (biodiversity and water) and biodiversity credits can be found on the Public Consultation page of Motion 49/2021.

Topic (7/7) Proposals

TOPIC 7: CLAIMS (CARBON OFFSETTING)

	Proposal	PROS	CONS
1	FSC proposes that the requirements for claims in the normative document be aligned with the voluntary carbon markets integrity (VCMI) claims code of practice to ensure the generation of high-quality carbon credit claims.	High quality, high integrity, and transparency will be ensured.	Meeting the high requirements of the VCMI Claims Code of Practice, which can be resource-intensive for buyers/sponsors.

Note: For Biodiversity and Water there is currently no code of practice for offsetting claims FSC can adopt or refer to. The PC package includes additional questions to seek input on how to approach this requirement.

Provide your comments at the Public Consultation page of Motion 49/2021.

Next Steps

- Please read the document listed below and provide your feedback on the proposals/options for implementation related to Motion 49/2021:
  - CONCEPTUAL REPORT FOR PHASE II OF THE REVISION OF THE ECOSYSTEM SERVICES PROCEDURE (FSC-PRO-30-006) Implementation of Motion 49/2021
- Supporting Documents include:
  - Final Technical Analysis: "Operationalizing compensation or/and neutralization in the ES PRO 30-006"
  - Motion 49 Two Pager
- Please access the public consultation here FSC Connect page for Motion 49/2021.

Thank you

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- IUCN (2015). No Net Loss and Net Positive Impact Approaches for Biodiversity. Exploring the potential application of these approaches in the commercial agriculture and forestry sectors. Gland, Switzerland.