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

Implementation of Motion 49/2021 ”FSC Ecosystem Services Procedure as a mitigation mechanism to meet global market demand for net-zero and net-positive targets”

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Title:	Conceptual Report for Phase II of the revision of the Ecosystem Services Procedure (FSC-PRO-30-006)
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Responsible program:	**Climate and Ecosystem Services**
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Abbreviations

AFOLU	Agriculture, Forestry, and Other Land Use
ASI	Assurance Services International
BBOP	Business and Biodiversity Offsets Program
BCA	Biodiversity Credit Alliance
BoD	Board of Directors
BVCM	Beyond Value Chain Mitigation
CB	Certification body
CCP	Core Carbon Principles
CH	Certificate Holders
CRCF	Carbon Removal and Carbon Farming
EBRD	European Bank for Reconstruction and Development
ESS	Environmental and Social Standards
FSC	Forest Stewardship Council
GBF	Global Biodiversity Framework
GHG	Greenhouse Gases
GUI	FSC Trademark Use Guide For Promotional Licence Holders Guidance Document
IAF	International Accreditation Forum
ICVCM	Integrity Council for the Voluntary Carbon Market
IEC	International Electrotechnical Commission
IFC	International Finance Corporation
IFM	Improved Forest Management
IP	Indigenous Peoples
ISO	International Organization for Standardization
MRA	Monitoring, Reporting & Assurance
PbN	Preferred by Nature

PSG	Policy Steering Group
PSU	Performance and Standards Unit
REDD	Reduced Emissions from Deforestation and Degradation
SBT	Science Based Targets
SBTi	Science Based Targets Initiative
ToR	Terms of Reference
TWG	Technical Working Group
VCMI	Voluntary Carbon Markets Integrity
VI	Verified Impact
V/V	Validation and Verification
VVB	Validation and Verification Body
WG	Working Group
WWF	World Wide Fund for Nature

INTRODUCTION

1.1. BACKGROUND

The Forest Stewardship Council (FSC) is revising the <FSC-PRO-30-006 V1-2 Ecosystem Services Procedure: Impact Demonstration and Market Tools> (hereinafter referred to as Ecosystem Services Procedure V1-2) in two phases: phase 1 and phase 2.

The revision process began after the Performance and Standards Unit (PSU) Review Report of the Ecosystem Services Procedure V1-2 and the approval in October 2021 of Motion 48/2021 'Streamline the Ecosystem Services procedure, include more services and maximize its potential'. Based on the PSU Review Report and Motion 48/2021, the Terms of Reference (ToR) for the Technical Working Group (TWG) were developed and the TWG established.

In September 2023, triggered by the approvals of Motion 49/2021 'FSC Ecosystem Service Procedure as a mitigation mechanism to meet global market demand for net-zero and net-positive targets', and Motion 53/2021, "Policy Motion to incorporate to ecosystem services the recognition of cultural services and practices to strengthen and endure over time the interconnection of Indigenous Peoples" (both passed in October 2022), the Policy Steering Group (PSG) approved to address these motions in a second phase of the revision process. At this time, the Ecosystem Services Procedure V1-2 revision was split into two phases.

Phase 2 is being implemented in parallel to Phase 1. The three motions related to the revision of the Ecosystem Services Procedure can be seen in Table 1.

Table 1. Motions passed during the FSC General Assembly 2021-2022.

Motion number and name	When was it passed?	In which phase is the Motion addressed?
48/2021 'Streamline the Ecosystem Services procedure, include more services and maximize its potential'	Online General Assembly, December 2021	Phase 1
49/2021 'FSC Ecosystem Service Procedure as a mitigation mechanism to meet global market demand for net-zero and net-positive targets'	Hybrid General Assembly, October 2022	Partially addressed in Phase 1 and to be fully addressed in Phase 2
53/2021 'Policy Motion to incorporate to ecosystem services the recognition of cultural services and practices to strengthen and endure over time the interconnection of Indigenous Peoples'	Hybrid General Assembly, October 2022	Partially addressed in Phase 1 and to be fully addressed in Phase 2

This summary report focuses on Motion 49/2021, while a separate report on Motion 53/2021 has also been developed and is being consulted simultaneously.

Motion 49/2021 states "FSC shall allow the use of claims generated from the Ecosystem Service Procedure to demonstrate progress towards achieving net-zero and net-positive targets for climate,

biodiversity, and water at all stages of the mitigation hierarchy, including measurement, avoidance, reduction, restoration, and compensation or neutralisation of residual impacts within and beyond value chains". The actions that have been asked by the Motion 49/2021 and the progress against them can be found in Table 2. Some elements of Motion 49/2021 were already addressed, either fully or partially, during phase 1. However, the most challenging aspect of this motion -compensation and neutralization claims, such as offsetting - was deferred to phase 2, as it demands considerably greater effort.

Table 2. Action Points of Motion 49/2021

Action Points of Motion 49/2021	Phase 1	Phase 2
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.**	Phase 1 has addressed the avoidance and reduction.	Compensation and neutralization claims, water neutrality, net-positive or no-net-loss biodiversity, net-zero climate impacts, and integrated nature-positive strategies shall be addressed in Phase 2.
2. **Prior to using FSC-verified claims to meet their mitigation targets, FSC shall require all CHs and sponsors to demonstrate their commitment to Mitigation Hierarchy-aligned approaches before the use of FSC-verified claims through a clearly defined and publicly available Policy of Association. These requirements could be adapted according to the business size or risk posed by CHs and sponsors**	Fully addressed for avoidance, minimisation, restoration/ rehabilitation	Needs further adjustment for offsetting (compensation/ neutralization)
3. **FSC shall ensure the integrity of all claims and their use. This includes the development of an impact registry to increase traceability and transparency, avoid risks of double-counting, lack of additionality, inaccurately estimated baselines or impacts, or misuse of claim. FSC shall require that claims are non-transferable, of fixed duration, and immediately retired upon registration of sponsorship. FSC shall also establish clear guidelines for benefit-sharing from sponsorships among certificate holders, local communities, certification bodies,**	Partly addressed under Phase 1.	Might need further adjustment in Phase 2 as requirements on additionality, baseline estimate, registry or benefit sharing adaptation concerning offsetting.

	project developers, and FSC itself to ensure a fair distribution of impact investments.		
4.	**FSC shall allocate the appropriate resource to promote the FSC Ecosystem Services procedure among CHs and sponsors through training, locally adapted guidance, and outreach of FSC National Offices and stakeholders.**	Appropriate resources are already being allocated during phase 1. Training will be developed in between the phase 1 and 2.	Continuous process from Phase 1.
5.	**FSC should develop stronger partnerships with leading institutions and networks to integrate FSC within a highly competitive and rapidly evolving market and take the necessary steps to position FSC as a globally recognized mitigation instrument for climate, water, and biodiversity systems.**	Partly addressed under Phase 1. Partnerships are continuously being built with the focus on making FSC a globally recognized mitigation instrument.	Continuous process from Phase 1.

As part of the Phase 2 conceptual phase, FSC is conducting a public consultation to gather input from the stakeholders on key proposals and questions presented in this document. These proposals and questions have emerged from the consultancy process initiated by FSC for implementing Motion 49/2021.

This consultancy process involved an external organization, Preferred by Nature (PbN), hired by FSC for conducting an assignment related to the implementation of the elements of the action point 1 of Motion 49/2021 (see Table 1). These elements include compensation/neutralization/net zero climate impacts, net-positive or no-net-loss biodiversity/ integrated nature-positive strategies, water neutrality, and application of compensation or neutralization claims only to the residual impacts. PbN conducted a technical analysis[1] of these elements of the Motion 49/2021 (Please refer to the Final Technical Analysis report for detailed analysis). The Ecosystem Services Procedure <FSC-PRO-30-006 V2-0 D2-0 Ecosystem Services Procedure: Impact Demonstration and Market Tools>[2] (hereinafter referred to as Ecosystem Services Procedure V2-0 D2-0) was used for analysis.

The technical analysis was followed up by interviews conducted with different stakeholders. Overall, 41 interviews were conducted with the following stakeholder groups: motion proposers and supporters, TWG members, FSC Members, FSC Board of Directors (BoD), FSC Network Partners, FSC Certificate Holders, Non-government organizations i.e., Plan Vivo, Verra, Gold Standard, Insetting Platform, Conservation International, Voluntary Carbon Markets initiative (VCMI), Science Based Targets initiative (SBTi), Business Sector, Indigenous organizations, FSC International staff and technical experts (related to voluntary carbon market). Out of the 41 interviews, 10 were conducted with Indigenous Peoples (IPs) and their representatives (included in the Indigenous organizations stakeholders' group).

[1] The analysis of the element, “use of FSC-verified positive ecosystem service impacts for avoidance or reduction targets” from the action point 1 of Motion 49/2021, was not focused on during the technical analysis, as it has already been addressed and incorporated in the Phase 1 revision of the Ecosystem Services Procedure.

[2] PbN used the Ecosystem Services Procedure V2-0 D2-0 which was an updated version of the Ecosystem Services Procedure V1-2 due to the parallel implementation of the Phase 1; however, please note this is still not the final version which is planned to be released at the end of Phase 1, as the phase is still ongoing.

The above-mentioned interviews will be followed by a White Paper, which will incorporate the analyses from the interviews and the Final Technical Analysis Report to provide further insights or strengthen the overall analysis.

1.2. PUBLIC CONSULTATION, IMPORTANT CONSIDERTIONS AND TIMELINE

In addition, as part of the public consultations at least 4 webinars will be conducted. All feedback collected during the Conceptual Phase will be presented in a Final Analysis Report together with overall recommendations for the implementation of the elements of action 1 of Motion 49/2021.

The proposals and questions for the public consultation were developed based on the technical analysis and interviews and are presented in the following sections, representing elements of the action 1 of the Motion 49/2021 along with two additional sections i.e., validation and verification, and claims, which will be important for ensuring integrity, robustness and transparency of the targeted claims from the aforementioned elements.

The implementation of the Motion 49/2021 is expected to bring significant changes to the FSC Ecosystem Services Procedure, particularly because the use of Ecosystem Services Claims[3] for compensation and neutralization would mean that these claims could be employed for offsetting negative environmental impacts. Implementing Motion 49/2021 means that FSC would effectively become an offsetting scheme (for carbon and biodiversity particularly). Such a shift would require robust safeguards, as these claims would be used to directly counterbalance the residual impacts/emissions.

As a result, FSC may need to not only strengthen the requirements in the current version of the Ecosystem Services Procedure but also develop FSC's own methodologies for carbon accounting, and eventually for biodiversity and water impact accounting as well. In addition, FSC might need to establish a new accreditation program for certification bodies (CBs) that aligns with new International Organization for Standardization (ISO) standards, specifically for the verification and validation of greenhouse gas (GHG) emissions[4]. These changes represent fundamental reforms to the FSC system and may require substantial investment in resources, both in terms of capacity (i.e., availability of personnel), time and technology. In this consultation, we strive to provide different options which may constrain the need for the resources.

Note: The proposals included are being consulted and as such are not guaranteed to be included in the next phase of this revision. The results of this consultation will be considered in a final analysis including the technical analyses.

Implementation will also depend on required resources.

[3] Any written, visual or broadcast communication made by The Organization or a sponsor, using FSC trademarks, based on a positive, verified or validated ES impact generated through the Ecosystem Services procedure (Please see ECOSYSTEM SERVICES PROCEDURE: IMPACT DEMONSTRATION AND MARKET TOOLS FSC-PRO-30-006 V2-0 D2-2).

[4] Any gas that absorbs infrared radiation in the atmosphere. Greenhouse gases include, but are not limited to, water vapor, carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrochlorofluorocarbons (HCFCs), ozone (O_3), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF_6). GHG emissions are reported in units of metric tonnes of each of individual GHG as well as metric tonnes of carbon dioxide equivalent (CO_2-eq); adapted from UNFCCC (2024). Glossary. https://unfccc.int/resource/cd_roms/na1/ghg_inventories/english/8_glossary/Glossary.htm. (accessed October 27, 2024).

Type of revision process and timeline

Phase 2 of the revision the procedure follows a 'major' process type, as regulated in the <FSC-PRO-01-001 Development and Revision of FSC Requirements>.

Table 3 shows the key activities, milestones and decision-making bodies that are part of the revision process of Phase 2.

Table 3. Key tentative milestones of the Phase 2 revision of the Ecosystem Services Procedure

	Activity / Milestone / Decision-making body	Estimated Time
1	Consultation in the conceptual phase	Mid-December 2024 – Mid-February 2025
2	Analysis of Conceptual Stage shared with FSC's Board of Directors	March 2025
3	TWG TOR approved (WG composition – tentative)	June 2025
5	Kick off meeting with TWG – tentative	July 2025
6	Discussion with members at the FSC General Assembly 2025 in Panama	October 2025
7	At least two Public Consultations in the drafting phase - tentative	Between March 2025 – June 2026
8	Testing – tentative	March-May 2026
10	Final Draft is submitted to FSC's Policy and Standards Committee to provide technical recommendations to FSC's Board of Directors	October 2026
11	Final Draft is submitted to FSC's Board of Directors for decision-making.	November 2026
12	Publication	January 2027

Note: This timeline is tentative and subject to changes depending on the outcome of this public consultation, final scope of revision as well as required resources.

CARBON, BIODIVERSITY AND WATER

2.1. INTRODUCTION: MITIGATION HIERARCHY

The mitigation hierarchy is a tool used for limiting the amount of damage an action can have on an environment (in the case of Motion 49/2021, it refers to carbon, biodiversity and water). World Wide Fund for Nature (WWF) (2020)[5] mentioned the general steps of the mitigation hierarchy as "Avoid, Reduce, Restore, Compensate/Offset", and emphasized that these steps should be adapted to the system to which they are applied. The Ecosystem Services Procedure V2-0 D2-0 can be applied to these three stages of

[5] WWF (2020). WWF Discussion Papers. Mitigation Hierarchies. WWF.

the mitigation hierarchy: avoid, reduce, and restore. However, it does not meet the necessary requirements for offsetting, as explained later in this section.

A detailed description of the general steps adapted from the Business and Biodiversity Offsets Program (BBOP) (2018)[6], also emphasized in the Motion 49/2021, include (see Figure 1):

- *Avoidance: measures taken to avoid creating impacts from the outset, (including direct, indirect and cumulative impacts), such as careful spatial or temporal placement of elements of infrastructure, in order to completely avoid impacts on certain components of biodiversity. (e.g. Place roads outside of the habitat of the key/affected species).*
- *Minimisation: measures taken to reduce the duration, intensity and / or extent of impacts (including direct, indirect and cumulative impacts, as appropriate) that cannot be completely avoided, as far as is practically feasible.* (e.g. Build wildlife crossings on roads)
- *Restoration/rehabilitation*: *measures that are taken to rehabilitate degraded ecosystems or restore cleared ecosystems following exposure to impacts that cannot be completely avoided and / or minimised*. (e.g. Rehabilitate species in the affected region)
- *Offset*: *measures taken to compensate for any residual significant, adverse impacts that cannot be avoided, minimised, and/or rehabilitated or restored, in order to achieve net zero targets/biodiversity targets. The companies use compensation and neutralization measures for offsetting their impacts and emissions.*

  - *Compensation[7]: that convey to audiences that the organization has delivered Beyond Value Chain Mitigation (BVCM)[8] proportional to a stated percentage of unabated value chain emissions and that the BVCM outcomes counterbalance or "net out" that stated percentage of unabated value chain emissions. The draft GHG Protocol Land Sector and Removals Guidance[9] describes "compensation targets" related to the use of carbon credits[10] as "a target for achieving mitigation external to the target boundary through purchasing and retiring GHG credits (also called offsets[11] or carbon credits) to compensate for annual or cumulative unabated emissions in the target boundary, if allowed under the relevant target setting program or target setting policy." An example of a compensation claim is the carbon neutrality claim.*
  - *Neutralisation[7]: Measures that companies take to counterbalance the climate impact of unabatable (i.e., residual) GHG emissions which are released into the atmosphere at and after net-zero target date through permanent removal and storage of CO_2 from the atmosphere.*

[6] BBOP (2018). Business Planning for Biodiversity Net Gain: a Roadmap. BBOP. Forest Trends, Washington, D.C.
[7] SBTi (2024). Above and Beyond: An SBTi Report on the Design and Implementation of BVCM. Version 1.0. SBTi.
[8] *Mitigation action or investments that fall outside of a company's value chain. This includes activities that avoid or reduce GHG emissions, and those that remove and store GHGs from the atmosphere*; adopted from SBTi (2024). SBTi CORPORATE NET-ZERO STANDARD. Version 1.2.
[9] GHG Protocol (2023). Land Sector and Removals Guidance. Part 1: Accounting and Reporting Requirements and Guidance. Supplement to the GHG Protocol Corporate Standard and Scope 3 Standard. Draft for Pilot Testing and Review.
[10] *A carbon credit is a tradable unit that represents one metric ton of GHG emission reductions or removals. Carbon credits are uniquely serialized, issued, tracked, and retired by means of an electronic registry. Carbon credits in the voluntary carbon market (VCM) are generated by the activities of projects and programs that are certified by carbon standards. Credited GHG reductions or removal enhancements are quantified using project or intervention accounting methods, which quantify system-wide GHG impacts relative to a counterfactual baseline scenario or performance benchmark that represent the conditions most likely to occur in the absence of the mitigation project or program that generates the credit.* Adopted from SBTi (2024). Above and Beyond: An SBTi Report on the Design and Implementation of BVCM. Version 1.0. SBTi.
[11] *When a carbon credit is purchased and retired for offsetting purposes, it is sometimes referred to as a carbon offset credit*. Adopted from SBTi (2024). Above and Beyond: An SBTi Report on the Design and Implementation of BVCM. Version 1.0. SBTi.

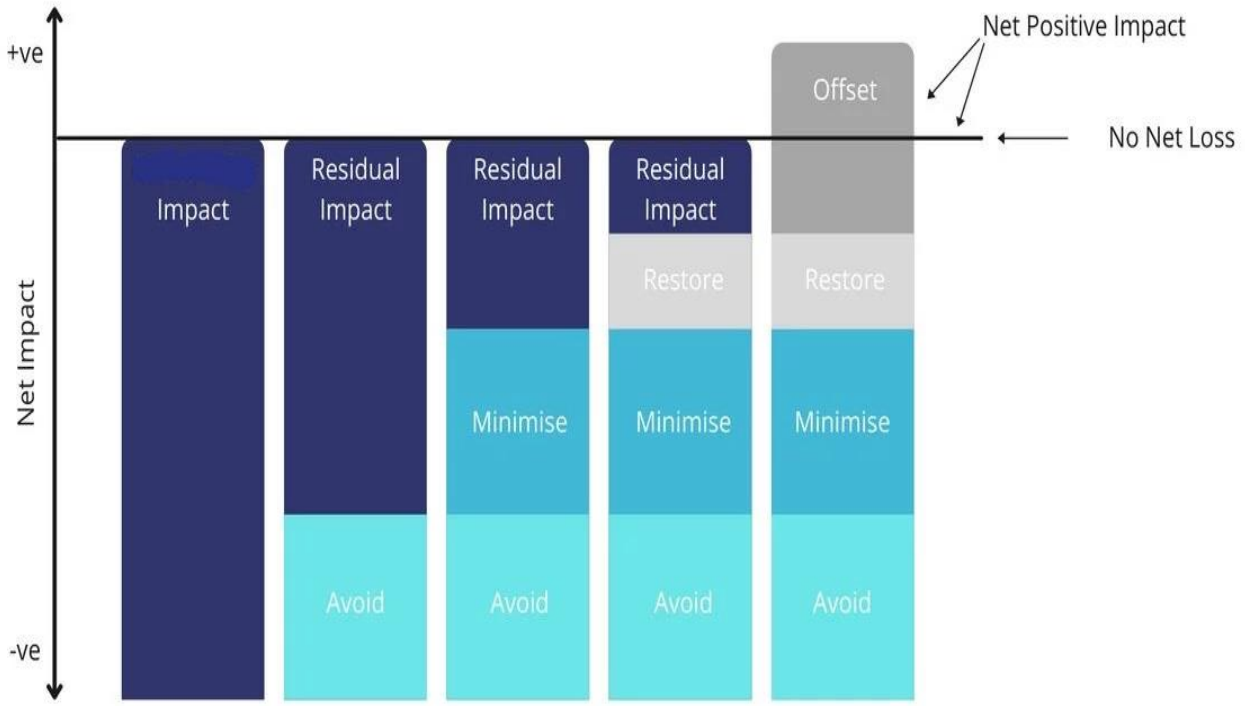

Figure 1: Mitigation Hierarchy adapted from The Biodiversity Consultancy (2024)[12]

2.2. COMPENSATION/NEUTRALIZATION – IN NORMATIVE DOCUMENTS

If FSC were to use compensation/neutralization in its normative framework, some options to do so are included in the following table.

2.2.1. OPTIONS

Table 4. Options for implementation of compensation and neutralization (offsetting) (carbon, biodiversity, and water) in normative documents

Options for Implementation	Deliverable	Pros (Opportunities)	Cons (Risks)
1) **One procedure – one type of claim.** Revise the Ecosystem Services Procedure to elevate existing requirements to a compensation (offsetting) use. The revised procedure would allow one single type	**Revised Ecosystem Services Procedure** One Ecosystem Services Procedure containing all the requirements. All claims generated by this procedure would be feasible for use at any stage of mitigation	All requirements in one document. No differentiation between claims, all claims will have the same safeguards/criteria. Streamlined process as there will be only one way	It might create a burden for some FSC certificate holders who cannot conform to these stringent criteria (due to complex methodologies etc.) It may be difficult to include solutions for smallholders, as requested by Motion 48/2021.

[12] The Biodiversity Consultancy (2024). Mitigation Hierarchy, https://www.thebiodiversityconsultancy.com/our-work/our-expertise/strategy/mitigation-hierarchy/ (accessed August 15, 2024)

of claim, requiring CHs to conform with more stringent safeguards, and incorporating key criteria such as methodology, additionality, permanence, leakage, baseline calculations, and quantification of offset units**.**	hierarchy (including offsetting).	to implement the procedure.	Overcomplicating the process for users who do not wish to use the claim for purpose of compensation or neutralization. FSC might not be able to apply the same stringent requirements for some ES categories (e.g. soil, water or recreation). Reduced flexibility in application of this procedure.
2) **One procedure – two types of claims** One document with two-tier requirements (one covering compensation and one with lower bar requirements for other uses). Two types of claims i.e. Ecosystem Services Claims and Compensation Claims.	**Revised Ecosystem Service Procedure** One Ecosystem Service Procedure with different set of requirements for two claims (Ecosystem Services Claims and Compensation Claims).	All requirements will be in one document. Existing use of the Ecosystem Services Procedure for non-offsetting purposes remains. Possibility for certificate holders to follow additional requirements to make Compensation Claims.	Complexity when it comes to deciding which claim to approach. Might be difficult to navigate in the document with several options and approaches. Having different tier claims can be complex to control and manage. This option might be complicated for the market to understand – we would be sending different signals which are difficult to understand.
3) Two documents – two types of claims Create a separate normative document distinct from the Ecosystem Services Procedure. The new document would cover requirements/safeguards for compensation (offsetting). The new main normative document for compensation will be supplemented by another normative document outlining the respective methodologies.	**One new main normative document (i.e., supplemented by an additional normative document for methodologies)** On top of the Ecosystem Services Procedure (which would not need to be updated), a new normative document will be developed to cover compensation (offsetting) requirements and safeguards. It will be supplemented by additional normative document for respective methodologies.	Clear segregation of different claims and uses. It will be easier to manage the two separate product offerings. It may be easier to make changes and updates. Existing use of the procedure for non-offsetting purpose remains. No changes for existing users.	Necessity to create a new normative document for compensation/ neutralization for carbon, biodiversity and water.

Note: All options can require FSC to allocate additional resources to develop the solutions. These resources may include additional FSC personnel, funding to involve consultants, and potentially longer timeframes (i.e., 2 to 3 years). Additionally, it is anticipated that for each option—carbon, biodiversity, and water—a separate TWG may need to be established.

2.2.2. QUESTIONS

1. Which one of the following options would you prefer FSC to pursue in Phase 2 for compensation/neutralization (carbon, biodiversity and water):

    a) Revise the Ecosystem Services Procedure to elevate existing requirements to a compensation (offsetting) use. This will allow one type of claim i.e., Compensation Claim.
        i. Yes
        ii. No
    Please Justify:
    b) Revise the Ecosystem Services Procedure with a focus on offsetting, along with the existing requirements to allow two types of claims i.e., Ecosystem Services Claims and Compensation Claims.
        i. Yes
        ii. No
    Please Justify:
    c) Create a separate normative document distinct from the current Ecosystem Services Procedure. The new normative document would cover requirements/safeguards for compensation (offsetting). Additionally, this main normative document will be supported by another normative document for respective methodologies. There will primarily be two main documents and two types of claims i.e., Ecosystem Services Claims and Compensation Claims.
        i. Yes
        ii. No
    Please Justify:
    d) Any other option? Please specify.

COMPENSATION/NEUTRALIZATION/NET ZERO CLIMATE IMPACTS (CARBON OFFSETTING SPECIFIC ANALYSIS)

3.1. INTRODUCTION

Motion 49/2021 requires 'the use of FSC-verified positive ecosystem service impacts **for compensation or neutralization and net-zero climate impacts**".** The compensation or neutralization beyond value chains, with a focus on residual emissions, as put in Motion 49/2021, are each a form of carbon offsetting.

Carbon offsetting is also an integral part of net-zero strategies for reaching net-zero climate impacts. The technical analysis of the Ecosystem Services Procedure V2-0 D2-0 by PbN[13] revealed that it doesn't meet all the requirements to be utilized in a robust and credible way for carbon offsetting.

The assessment followed the high integrity criteria based on the Integrity Council for the Voluntary Carbon Market (ICVCM's) Core Carbon Principles (CCPs) and the respective assessment framework. ICVCM is

[13] PBN (2024). Final Technical Analysis: "Operationalizing compensation or/and neutralization in the Ecosystem Services Procedure 30-006".

a multi-stakeholder-led independent governance body, that establishes and maintains the highest standards of ethics, sustainability, and transparency for the global voluntary carbon market. ICVCM's CCPs therefore are becoming a benchmark for credible and high-standard carbon crediting schemes[14], which is why PbN chose them for conducting their analysis.

Some of the criteria that were missing or requiring further strengthening in the Ecosystem Services Procedure V2-0 D2-0 can be seen in Table 5.

Table 5. Assessment of the Ecosystem Services Procedure V2-0 D2-0 against ICVCM's CCPs[15].

🟨 *Further strengthening is required;* 🟥 *Missing.*

Topic	Description	Assessment
Additionality	This means that the GHG emission reductions[16] or removals[17] from the mitigation activity shall be additional, i.e., they would not have occurred in the absence of the incentive created by carbon credit revenues.	
Permanence	This means that the GHG emission reductions or removals from the mitigation activity shall be permanent or, where there is a risk of reversal, there shall be measures in place to address those risks and compensate for reversals	
Robust quantification of emission reductions and removals	This means the GHG emission reductions or removals from the mitigation activity shall be robustly quantified, based on conservative approaches, completeness and sound scientific methods.	
Leakage	This means that the GHG emissions by GHG sources that occur outside the project boundary but are attributable to the project and the most common sources of leakage are activity displacement and market leakage.	
No double counting	This means that the GHG emission reductions or removals from the mitigation activity shall not be double counted, i.e., they shall only be counted once towards achieving mitigation targets or goals. Double counting covers double issuance, double claiming, and double use.	
Robust independent third-party validation and verification (V/V)	This means that the carbon-crediting scheme shall have program-level requirements for robust independent third-party validation and verification of mitigation activities.	

[14] A carbon crediting scheme is a structured program that issues and manages carbon credits, which represent a reduction, removal, or avoidance of GHG emissions. Typically, these schemes operate through either compliance or voluntary frameworks. Examples of well-known voluntary carbon crediting schemes include those administered by Verra and the Gold Standard.

[15] ICVCM (2024). Core Carbon Principles, Assessment Framework and Assessment Procedure. Version 2.

[16] *A long-term atmospheric benefit attributable to a project activity that reduces or avoids anthropogenic or natural GHG emissions into the atmosphere, net of associated project and leakage emissions. One GHG emissions reduction represents one metric tonne of CO2 equivalent emissions reduced.* Adopted from VCS (2023). Program Definitions. V 4.4.

[17] *A long-term atmospheric benefit attributable to a project activity that increases durably-stored carbon stocks in geological, terrestrial, ocean, or product carbon pools, net of associated project and leakage emission. Removals include anthropogenic enhancement of biological or geochemical sinks, and transfers of biogenic carbon from short-term to long-term carbon pools. Removals exclude natural CO_2 uptake such as growth of natural forests. Removals exclude maintenance of declining carbon stocks. One carbon dioxide removal represents one metric tonne of CO_2 removed from the atmosphere.* Adopted from VCS (2023). Program Definitions. V 4.4.

Claiming requirements	The claiming requirements for high-quality carbon credits shall follow the Voluntary Carbon Markets initiative (VCMI) Claims Code of Practice. VCMI is an international initiative to drive credible, net-zero-aligned participation in the voluntary carbon market. The VCMI Claims Code of Practice provides an opportunity to enhance credibility and confidence in the voluntary carbon market.	

Note: Options for implementation of compensation and neutralization (offsetting) (carbon, biodiversity, and water) in normative documents have already been provided in section 2.2.1. **In this section, specific proposals related to carbon offsetting are provided**.

3.2. PROPOSALS

Table 6. Proposal for Carbon Offsetting

Topic	Proposal for Implementation	Deliverable	Pros (Opportunities)	Cons (Risks)
Compensation/Neutralization/Net Zero Climate Impacts (Carbon Offsetting)	FSC aligns with the requirements of the ICVCM's CCPs (As highlighted above in the section).	Revised Ecosystem Services Procedure or new normative document (resulting from section 2.2.1.) will adopt the high-quality criteria for carbon credits.	Generation of high-quality carbon credits for carbon offsetting.	Resource intensive requirements for companies to ensure conformity.

3.3. QUESTIONS

1. Do you think that the ICVCM Core Carbon Principles (CCPs) are a good reference for FSC in creating a high-quality carbon offsetting scheme?

   0% agreement
   25% agreement
   75% agreement
   100% agreement
   I do not know.
   Please Justify:

2. Further, the technical analysis report indicates that FSC will need to develop its own methodologies rather than using those from external carbon crediting schemes, as relying on external methodologies creates integrity issues due to their associated compliance rules within the carbon crediting schemes from which the methodology originates.

    a) Do you know any normative documents from other voluntary carbon schemes which FSC could use or refer to (methodologies, tools)?

    i. Yes
    ii. No
    Please Justify:

    b) Would you consider any challenges for FSC using external documents (methodologies, tools)?

    i. Yes
    ii. No
    Please Justify:

3. How much do you agree with the proposal of creating a set of robust and high-integrity distinct normative requirements for carbon offsetting (as mentioned above)?

    0% agreement
    25% agreement
    75% agreement
    100% agreement
    I do not know.
    Please Justify:

The nature climate solutions also known as the Agriculture, Forestry, and Other Land Use (AFOLU) are an effective approach for climate change mitigation.

For carbon offsetting in the voluntary carbon market, there are different categories for which methodologies are developed. These include:

A. Improved Forest Management (IFM): IFM involves broad arrays of activities such as;
    - Extension of rotation age: Extending the rotation age for forests can increase the amount of carbon stored in the landscape, while maintaining or even boosting timber production, particularly in forests that are currently managed below their full productivity potential,
    - Production to conservation: This activity halts timber harvesting which ultimately results in the increase of forest carbon stocks.
    - Increasing production: This activity may involve silvicultural activities such as enrichment planting that results in an increase of forest carbon stocks.
B. Afforestation/Reforestation: Afforestation involves the establishment of forests through planting or seeding on land that was not a forest. Reforestation, on the other hand, includes the planting or seeding of a land already classified as a forest).
C. Reduced Emissions from Deforestation and Degradation (REDD): This involves the reduction of emissions that may be caused by deforestation and degradation. Degradation is the reduction in the carbon capacity of forests and deforestation is the change of forests to other land uses such as agriculture etc.), - etc.

4. Which category of activities would you prefer that FSC develops a methodology for?

    a) IFM
    b) Afforestation/Reforestation
    c) Other, please describe.

    Please justify:

5. If FSC develops a methodology for IFM, which category would you prefer for FSC to focus on?:
    a) Extension of rotation age
    b) Production to conservation
    c) Increasing production
    d) Any other activity?

    Please justify:

6. What challenges/or risks do you anticipate in developing the normative requirements that fully comply with the requirements of the CCP? Please specify separately.

7. What benefits do you foresee from developing normative requirements that are fully compliant with the CCP?

NET-POSITIVE OR NO-NET-LOSS BIODIVERSITY AND INTEGRATED NATURE-POSITIVE STRATEGIES (BIODIVERSITY-SPECIFIC ANALYSIS)

4.1 INTRODUCTION

Motion 49/2021 requires that "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 CHs and sponsors' science-based targets at all stages of the mitigation hierarchy, including **net-positive** or **no-net-loss biodiversity** and integrated nature-positive strategies".

The concept of **no-net-loss of biodiversity** 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. Biodiversity offsets, therefore, are intended to compensate for any significant residual impacts on biodiversity after efforts to prevent and mitigate harm have been implemented[18].

The aim of biodiversity offsets is to achieve **no net loss**, and **preferably a net gain**, of biodiversity in terms of species composition, habitat structure, ecosystem function, and the cultural and practical values that people associate with biodiversity[19]. **"Net gains"** refer to additional, positive biodiversity outcomes achieved in relation to the overall impact on biodiversity due to a project intervention. When these positive

[18] World Economic Forum (2022). High-Level Governance and Integrity Principles for Emerging Voluntary Biodiversity Credit Markets.
[19] Business and Biodiversity Offsets Programme (2009). Business, Biodiversity Offsets and BBOP: An Overview. BBOP. Washington, D.C.

outcomes exceed the losses incurred by the project, a net gain is realized, often referred to as a **"net positive impact"**[20]. This refers to the stage that follows the achievement of no-net-loss within the mitigation hierarchy, where biodiversity offsets have addressed residual impacts. In this step, efforts are focused on creating additional biodiversity gains, aiming for outcomes that surpass pre-existing conditions, thereby leading to a net positive impact.

Biodiversity offsets are inappropriate in certain situations—for instance,

1) if a project risks the extinction of a species,
2) if there is high uncertainty about the offset's success,
3) if governance mechanisms are inadequate, or
4) if the biodiversity values impacted are unique to a specific location and cannot be recreated or replaced elsewhere.

Furthermore, biodiversity offsets have faced significant criticism. Many argue that biodiversity cannot be simply replaced or treated like a commodity. Biodiversity offsets may encourage ongoing environmental harm by allowing companies to compensate for damage rather than prioritize avoiding or reducing it in the first place. This "commodification of nature" is seen as promoting false solutions, enabling continued harm to ecosystems instead of driving meaningful reduction efforts. They may give the illusion of sustainability without addressing the root causes of biodiversity loss, which further raises concerns about their effectiveness. Moreover, biodiversity is not fungible at a global scale like carbon, biodiversity offsets often fail to fully replicate the ecological value of the areas impacted. They require a "like-for-like" replacement, which is not always achievable. This limitation restricts the use of biodiversity offsets to a local level, ensuring that interventions occur within the same or at least similar ecosystems.

Although **net gains/net positive impact** is the preferable option in biodiversity offsetting, in many instances, the minimum standard remains only to meet the no-net-loss of biodiversity. As a result, the objective of achieving net gain/net positive impact of biodiversity is not fully realized.

Therefore, in conformity with the Motion 49/2021, to enable the Ecosystem Services Verified Impacts' (VIs) Claims for the net positive impact part and the widespread criticism of biodiversity offsets, the technical analysis report recommended the biodiversity credits.

Target 19 of the Kunming-Montreal **Global Biodiversity Framework** (GBF), which was adopted at the United Nations Biodiversity Conference (COP15) in December 2022, also highlights biodiversity credits as one of the financial mechanisms to support resource mobilization for biodiversity.

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*"[18]. Biodiversity credits are a potential financial instrument that could play a pivotal role in contributing to a global nature-positive future. While the definition for biodiversity credits is still evolving, they can be described as a verifiable and tradeable financing instrument that rewards positive outcomes for biodiversity over a fixed period. With sufficient safeguards and high-integrity standards, credits can be used to finance actions that result in measurably improved outcomes for biodiversity, encompassing species, ecosystems and ecosystem services[18]. Currently, the terms "biodiversity credit", "biocredit", "biodiversity certificate", "nature credit" and "nature token" are often used interchangeably to refer to the concept of a financial instrument that funds biodiversity conservation or

[20] 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.

restoration efforts[18]. While they may have slight distinctions depending on the issuing organization or context, all generally aim to represent the monetization of biodiversity gains or conservation outcomes in a way that can be measured, tracked, and traded.

Moreover, biodiversity credits are designed **not to offset or counterbalance negative impacts** on biodiversity but to directly support positive biodiversity gains. Unlike biodiversity offsetting schemes[21], which aim to compensate for biodiversity losses caused by development projects, biodiversity credits are intended to fund measurable, additional biodiversity improvements that are not associated with adverse impacts elsewhere. These credits help facilitate restoration, conservation, or enhancement projects that contribute positively to biodiversity, often in critical or threatened habitats, without being tied to a compensatory requirement for damage done in another location.

Biodiversity credits and voluntary carbon credits are related but fundamentally distinct. While carbon credits represent standardized units of CO_2 (or carbon equivalents) avoided or removed from the atmosphere, biodiversity credits represent units of biodiversity restored, conserved, or enhanced, often reflecting unique ecological characteristics of specific habitats or species. Unlike carbon credits, which support a global commodity market with fungible, standardized units, biodiversity credits are generally context-specific and difficult to quantify as equivalent units, as each ecosystem's biodiversity is unique. Consequently, biodiversity credits operate in a more localized framework, prioritizing ecological preservation over standardized trading.

Based on the above mentioned, the assessment of the Ecosystem Services Procedure V2-0 D2-0 on generating robust **biodiversity credits** revealed a lack/or need for strengthening certain criteria, as seen in Table 7.

Table 7. Assessment of the Ecosystem Services Procedure V2-0 D2-0 for generating biodiversity credits.

Further strengthening is required; *Missing.*

Topic	Description	Assessment
Methodology/ Biodiversity Credit Accounting	This refers to how the biodiversity credits are accounted for.	
Additionality	This refers to the biodiversity outcomes that are directly attributable to the project intervention and would not have occurred otherwise.	
Leakage	This refers to a situation when protecting biodiversity in one project area results in biodiversity loss in another area.	
Traceability	This refers to creating a system for addressing the issuance and retirement of biodiversity credits.	
Double counting and claiming	This refers to ensuring that the benefits from biodiversity credits are counted only once and that no different parties are simultaneously claiming the same biodiversity outcome	

[21] A program administered by an entity (e.g., an NGO or government agency) facilitates the issuance and trading of biodiversity offsets in accordance with a standardized framework, including adherence to an approved scientific methodology.

Similarly, for the Ecosystem Services Procedure to generate biodiversity claims for **no-net-loss biodiversity or net positive (biodiversity offsets)**, the following criteria, in Table 8, are missing or will need further strengthening (Note: this is in addition to the general principles prescribed by the voluntary or regulatory framework, with which additional compliance would be required):

Table 8. Assessment of the Ecosystem Services Procedure V2-0 D2-0 against biodiversity offsets.

Further strengthening is required; *Missing.*

Topic	Description	Assessment
Additionality	This means that the biodiversity offsets must ensure additional conservation outcomes that would not have occurred without the offset.	
Permanence	This means that the gains from the offset should last at least as long as the impact being mitigated, which, in most cases, requires them to be maintained indefinitely.	
Uncertainty	This means that the Offsets must address uncertainty by thoroughly documenting data sources, assumptions, and any knowledge gaps	
Governance	This means that the legal, institutional, and financial measures must be in place to ensure the effective design and implementation of offset schemes	

Note: Options for implementation of compensation and neutralization (offsetting) (carbon, biodiversity, and water) in normative documents have already been provided in section 2.2.1. In section 4.3, only a few specific questions related to biodiversity offsets are provided.

4.2. OPTIONS (BIODIVERSITY CREDITS)

*Table 9. Options for implementation of **biodiversity credits in normative documents***

Options for Implementation	Deliverable	Pros (Opportunities)	Cons (Risks)
1) To create a distinct normative document for generating biodiversity credits including the necessary criteria/safeguards to fully utilize the potential of the biodiversity credit market and support flourishing biodiversity.	A normative document 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	It may create uncertainty and confusion.

2) Incorporating biodiversity credits' generation requirements in the Ecosystem Services Procedure and creating a separate category for biodiversity.	One document in the form of a revised Ecosystem Services Procedure.	One unified document.	Confusion over two biodiversity categories in one document and the addition of requirements.

Note: In both Options 1 & 2, a separate TWG, internal personnel resources and funding for external consultants will be needed

4.3. PROPOSAL (BIODIVERSITY CREDITS)

*Table 10. Alignment with the high integrity criteria for **biodiversity credits.***

Proposal	Deliverable	Pros (Opportunities)	Cons (Risks)
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), a voluntary international alliance, is working on principles and criteria for global credible biodiversity credits. Once the final requirements will be in place, FSC will work on full alignment.	A separate normative document for biodiversity credit generation, or a revised Ecosystem Services Procedure incorporating biodiversity credit requirements, will adopt or align with high-integrity criteria for biodiversity credits.	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.

4.4. QUESTIONS

1. The technical analysis report has highlighted issues related to the biodiversity offsets that could be translated into an integrity risk for FSC i.e., reputational and technical (requirements such as like-for-like replacement of habitats, species, etc., restriction to the local landscapes, mechanisms for strong regulatory enforcement, etc.).

    a) Do you agree that FSC should pursue the option for biodiversity offsets?
        i. Yes
        ii. No
        iii. I do not know.
        iv. Other comments.
        Please Justify:

b) If you agree that if FSC should pursue biodiversity offsets, should FSC limit the use of biodiversity offsets in any way (e.g. in terms of location, regulations, species, habitats, etc)?

i. Yes
ii. No
iii. I do not know.
iv. Other comments.

Please Justify:

2. Should the FSC develop a new normative document for the generation of robust biodiversity credits? Please justify.

0% agreement
25% agreement
75% agreement
100% agreement
I do not know.
Please Justify:

3. Should the FSC incorporate biodiversity credits' generation requirements in the Ecosystem Services Procedure for a separate category of biodiversity?

0% agreement
25% agreement
75% agreement
100% agreement
I do not know.
Please Justify:

4. Should the FSC have the same criteria/safeguards for biodiversity credits and offsets (provided you agree with biodiversity offsets, please see Q1?

0% agreement
25% agreement
75% agreement
100% agreement
I do not know.
Other comments
Please Justify:

5. How much do you agree with the criteria highlighted by the technical analysis for generating robust biodiversity credits, namely additionality, accounting methodology, leakage, double counting and claiming, and traceability?

0% agreement
25% agreement
75% agreement

100% agreement
I do not know.
Please Justify:

6. Would you like to propose additional criteria for ensuring robust biodiversity credit generation?
   a) Yes.
   b) No.

   Please Justify:

7. Biodiversity credit standards[22] in voluntary markets may include various project categories, such as conservation (to avoid biodiversity loss) and restoration (to enhance biodiversity), among others. These categories can be used to calculate biodiversity outcomes in the form of biodiversity credits. Which options or categories would you prioritize for FSC to include in its normative document for generating biodiversity credits?

a) Conservation
b) Restoration
c) Combined.
d) Any Other.

WATER NEUTRALITY (WATER OFFSETTING)

5.1. INTRODUCTION

Water neutrality refers to the practice of minimizing the water footprint of an activity as much as possible and using offsets to compensate for the negative externalities associated with the remaining water usage. Motion 49/2021 requires the revision of the Ecosystem Services Procedure to allow the use of claims to demonstrate progress toward achieving science-based targets at all stages of the mitigation hierarchy, including water neutrality. According to the technical analysis of the PbN[13], no water offsetting scheme exists globally that matches the scale of established carbon offsetting schemes like those operated by VERRA and Gold Standard. Therefore, no analysis in relation to the Ecosystem Services Procedure could be provided for this section. The questions have been presented below to provide direction to the development of the ToR to implement this aspect of Motion49/2021's mandate.

NOTE: Options for implementation of compensation and neutralization (offsetting) (carbon, biodiversity, and water) in normative documents have already been provided in section 2.2.1. In section 5.2, only specific questions related to water offsetting have been provided.

[22] Biodiversity credits standard refers to a set of guidelines and criteria that govern the issuance and trading of biodiversity credits. These standards aim to ensure that biodiversity credits represent real, measurable, and positive outcomes for biodiversity, which can include actions like habitat restoration or species protection. The standard typically includes adherence to approved scientific methodologies and requirements for verification to enhance credibility and integrity within the market.

5.2. QUESTIONS

1. The technical analysis report has not identified any renowned voluntary water neutrality/offsetting scheme. This can again raise integrity issues for FSC since the safeguards/criteria for generating robust water offset units are not well recognized. In that case, do you agree that FSC should pursue this option?
    a) Yes
    b) No
    c) I do not know.
    Please Justify:

2. Are you aware of any water neutrality/offsetting schemes being used globally or locally? Are there any water neutrality claims, in relation to this offsetting, that you are aware of?

3. Are you aware of any metrics that can be used to calculate the water neutrality/offsetting units?

4. Can water neutrality/offsetting units;

a) Be used globally, similar to carbon offsetting, where compensation can occur in different locations from where the impact happens? or
    i. Yes.
    ii. No.

    Please Justify:

b) Be confined only to the same landscapes where the impact on the water resources due to the development occurred?
    i. Yes.
    ii. No.

    Please Justify:

5. What types of projects or interventions do you think are most suitable for generating water neutrality/offsetting units?

6. How should the pricing for water neutrality/offsetting units be done, in your opinion?

7. Considering that there are no global water neutrality/offsetting schemes, and this area is not yet developed, would you agree that the FSC Ecosystem Service Procedure should keep the current approach with water ecosystem impacts with claims that can be used both for contribution and compensation/offsetting without further changes?
    a) Yes
    b) No
    Please Justify:

8. If compensation claims in the water footprint calculation would be used, shall the water offset units include the same criteria/safeguards as for carbon compensation claims or carbon offset units (e.g. additionality, uncertainty, methodology, etc.)?
    a) Yes
    b) No

Please Justify:

9. What are the risks and challenges you foresee for FSC in adopting and implementing water neutrality/offsetting option? Please specify separately.

RESIDUAL IMPACTS

Motion 49/2021 asks that the compensation or neutralization claims shall only be applied to residual impacts.

6.1. INTRODUCTION:

***Biodiversity*:** Significant residual impacts on biodiversity are compensated as a last resort through biodiversity offsets, following efforts for avoidance, minimization, and adequate restoration or rehabilitation.

Biodiversity offsets (compensation) may be:

- part of regulatory requirements, such as those mandated by law (e.g., the German Impact Mitigation Regulation and U.S. Wetland Mitigation),
- conditional, as required by financial institutions like the International Finance Corporation (IFC), or
- voluntary, implemented by companies to fulfill biodiversity commitments they have publicly announced.

Financial standards and safeguards—such as the International Finance Corporation Performance Standard 6 (IFC PS6), the European Bank for Reconstruction and Development Performance Requirement 6 (EBRD PR6) and the World Bank Environmental and Social Standard 6 (ESS6) require the rigor application of mitigation hierarchy before compensation of the biodiversity losses.

Before addressing residual impacts, clearly defined endpoints and intermediate targets should be established. Only remaining impact is covered by offsets, **with the goal of leaving as little as possible for offsetting purposes**. Before offsetting is allowed - restoration or rehabilitation, avoidance and minimization measures must be followed.

Carbon (GHG emissions): In the case of carbon, residual emissions are those that cannot be fully eliminated, even after applying all available mitigation measures contemplated in pathways that limit warming to 1.5°C, with no or limited overshoot.

In the context of **science-based targets (SBTs)**[26], residual emissions refer to a company's scope 1[23], scope 2[24], and scope 3[25] emissions that remain after achieving its long-term emissions reduction target. Mitigation pathways are essential for setting science-based targets.

[23] *Scope 1 emissions are direct GHG emissions from operations owned or controlled by the reporting company.*
[24] *Scope 2 emissions are indirect GHG emissions from purchased electricity, heating/cooling, or steam.*
[25] *Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting organization, including both upstream and downstream emissions.* All three adopted from SBTi (2024). Above and Beyond: An SBTi Report on the Design and Implementation of BVCM. Version 1.0. SBTi.

- For **near-term** SBTs, covering a 5–10-year timeframe, these pathways guide the required rate of emissions reductions or reductions in emissions intensity.

- For **long-term** SBTs, with target years as late as 2050, these pathways inform the total emissions reduction or convergence intensity needed to align with net-zero goals at the global or sector level. Near-term science-based targets must cover at least 95% of company-wide scope 1 and 2 emissions[26].

When scope 3 emissions make up 40% or more of total emissions (scope 1, 2, and 3 emissions), companies must set one or more emission reduction targets and/or supplier or customer engagement targets that collectively cover(s) at least 67% of total scope 3[7], considering the minimum boundary of each category in conformance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard[27].

On the other hand, the Long-term SBTs must cover at least **95%** of a company's scope 1 and scope 2 emissions, as well as **90%** of its scope 3 emissions.

Therefore, when a company has achieved its science-based targets (SBTs) and residual emissions still exist, it will then be able to use carbon offsetting measures to address them (referring to the requirement of the Motion 49/2021).

SBTi offers validation services to ensure that companies meet its rigorous criteria and provides services to review and revise approved targets, keeping them up-to-date and aligned with the latest climate science and best practices. The SBTi disapproves of using offsets for emissions reductions toward the progress of companies' SBTs, which may lead to the rejection of their SBTs.

***Water*:** Water compensation may also involve using water-related indices to calculate offset units for the residual impacts remaining after interventions, such as development projects.

6.2. PROPOSALS

Table 11. Proposals for implementing requirements to determine when residual impact stage is reached for compensation/neutralization (carbon, biodiversity, and water)

Proposals for Implementation	Deliverable	Pros (Opportunities)	Cons (Risks)
Topic 1 - Residual Impacts' Stage Assessment (Biodiversity Offsets)			

[26] SBTi (2024). SBTi CORPORATE NET-ZERO STANDARD. Version 1.2.
[27] GHG Protocol (2011). Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Include in relevant normative document criteria for validating the residual impact stage aligned with BBOP. The following provisions should be included in it, amongst others: • Documentation from companies or sponsors detailing how residual impacts were identified; • A description of the residual impacts on biodiversity after avoidance, minimization, and restoration/rehabilitation efforts have been addressed; • An account of how stakeholders were identified for inclusion in the design of the offset management plan; • A description of the metrics selected for quantifying residual impacts; and an explanation of the measures employed to demonstrate equivalency, such as suitable or viable habitats or hectares of similar habitat in terms of composition and structure. • Additionally, the guideline should clarify whether the offset site was selected prior to the implementation of the project.	Requirements included in relevant normative document describing the criteria for the residual impact stage.	Clear criteria are available ensuring consistency in how residual impacts are assessed across different projects. It will help in promoting transparency and accountability in reporting residual impacts.	Additional requirements may complicate existing processes, making it harder for companies/sponsors/FSC certificate holders to navigate compliance and understand requirements.
Topic 2 - Residual Emissions' Stage Assessment (Carbon Offsetting)			
Include in a relevant normative document criteria for validating the residual impact stage aligned with SBTi standards and the GHG Protocol Corporate Standard, Scope 2 Guidance[28], and Corporate Value Chain (Scope 3) Accounting and Reporting Standard[27]; Land Sector and Removals Guidance, Accounting and Reporting Requirements[9] (for GHG accounting). Additionally, it should feature a reporting template for companies and sponsors to detail their science-based targets and indicate if they have reached their residual emissions stage. Furthermore, collaboration with SBTi will be essential to obtain confirmation regarding the SBTs of the companies and whether they have successfully reached the residual emissions stage.	Requirements included in a relevant normative document describing the criteria for the residual impact stage.	It will help in the standardization of criteria for assessment process which will ensure transparency, accountability, and credibility. It will also provide an opportunity to strengthen partnership with SBTi.	Ensuring the validity and reliability of the data reported by companies/sponsors may pose several challenges, requiring additional oversight and verification efforts for ensuring integrity of the data presented. Developing and implementing the tool may require significant time, financial investment, and human resources.
Topic 3 - Residual Emissions' Stage Assessment (Water Offsetting)			
To develop normative criteria for validating the residual impact stage and include them in relevant normative document.	Normative requirements describing the criteria for the residual impact stage.	It will facilitate the assessment process.	Verification of the results may still be needed resulting in increase of resources in terms of internal personnel and funding for engaging external consultants.

[28] GHG Protocol (2015). GHG Protocol Scope 2 Guidance. An amendment to the GHG Protocol Corporate Standard. USA.

6.3. QUESTIONS:

1. How much do you agree with the proposal for FSC to create normative requirements (criteria in a relevant normative document) for assessing whether the residual impact stage in biodiversity offsetting has been reached?

   0% agreement
   25% agreement
   75% agreement
   100% agreement
   I do not know.
   Please Justify:

2. Please provide suggestions on how to assess whether the residual impact stage in biodiversity offsetting has been reached.

3. How much do you agree with the proposal for FSC to create normative requirements that align with SBTi targets/GHG accounting by GHG Protocol i.e., GHG Protocol Scope 2 Guidance; and Corporate Value Chain (Scope 3) Accounting and Reporting Standard; Land Sector and Removals Guidance, Accounting and Reporting Requirements, for assessing whether the residual emissions stage in carbon offsetting has been reached?

   0% agreement
   25% agreement
   75% agreement
   100% agreement
   I do not know.
   Please Justify:

4. Please provide suggestions on how to assess whether the residual emissions stage in carbon offsetting has been reached.

5. How much do you agree with the proposal for FSC to create normative requirements for assessing whether the residual impact stage in water offsetting has been reached?

   0% agreement
   25% agreement
   75% agreement
   100% agreement
   I do not know.
   Please Justify:

6. Please provide suggestions on how to assess whether the residual impact stage in water offsetting has been reached.

VALIDATION AND VERIFICATION

7.1. INTRODUCTION

According to the technical analysis of the PbN[13]it was highlighted that to meet the requirements for carbon offsetting, FSC will need to develop an internal system to meet the requirements of a verification and validation (V/V) assurance system.

In the carbon crediting schemes, validation is conducted by the validation and verification bodies (VVBs) to see if a project has met all the rules and requirements of the carbon crediting schemes. Verification involves the confirmation that the outcomes of a project have been achieved and quantified (with reasonable or limited assurance level) according to the requirements set out in the respective standard of carbon crediting schemes.

FSC holds an independent third-party assurance system in which independent organizations (certification body) conduct forest management and chain of custody evaluations that lead to FSC certification. Certification bodies are accredited to <FSC-STD-20-001 General requirements for FSC accredited certification bodies[29]> which is the FSC 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). 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.

CARBON

In the case of the carbon crediting schemes, the VVBs need to be accredited on:

- ISO/International Electrotechnical Commission (IEC) 17029:2019 (Conformity assessment - General principles and requirements for validation and verification bodies)

- ISO/IEC 14065:2020 (General principles and requirements for bodies validating and verifying environmental information).

Therefore, if the FSC wants to ensure the claims are robust and follow high integrity standards such as ICVCM or new European Unions Carbon Removal and Carbon Farming (CRCF) legislation, the FSC needs to develop the accreditation requirements for VVBs that are aligned with international standards and based on best practices for carbon crediting schemes.

Additionally, FSC needs to develop a process for managing VVB performance, including a systematic review of validation and verification activities, reports, and remedial measures to address performance issues. This includes measures to ensure that poor VVB performance is reported to the relevant accreditation body, with provisions to suspend or revoke a VVB's participation if necessary. FSC also needs to develop procedures for VVBs to follow when conducting validation and verification of the carbon projects i.e., for quantification of GHG emissions and removals, leakage, additionality, etc.

[29] The standard is under revision; https://connect.fsc.org/current-processes/revision-general-accreditation-standard-fsc-std-20-001-fsc-pro-20-003-and-fsc-pro

BIODIVERSITY AND WATER

The V/V assurance system for biodiversity credits may resemble that of the carbon crediting schemes, and in some cases, independent experts may also be engaged. Unlike biodiversity credits, biodiversity offsets may not require compliance with ISO standards; therefore, specific guidelines within the respective documents need to be further explored. A similar approach is assumed for water offsetting.

7.2. PROPOSALS

To fully implement the action requests from Motion 49/2021 and enable the compensation or neutralization of residual impacts, the proposals outlined in Table 11 are presented.

Table 12. Proposals for validation and verification.

#	Proposals	Deliverable	Pros (Opportunities)	Cons (Risks)
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.	Normative accreditation requirements for CBs for carbon offsetting.	Establishes clear normative accreditation requirements for carbon offsetting.	Resources in terms of time, finances, and personnel will be needed.
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.	Recognition of additional accreditation programs in the FSC system.	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.	Normative requirements providing detailed clarification on the validation and verification of all the criteria.	Availability of specific normative requirements ensuring credibility, standardization, accountability, and compliance.	Resources in terms of time, finances, and personnel will be needed.

7.3. QUESTIONS

1. Do you agree that the FSC should propose ISO/IEC 17029:2019 and ISO/IEC 14065:2020 as the relevant accreditation requirements for CBs intending to conduct activities related to carbon offsetting under the FSC Forest Management Certification?

   0% agreement
   25% agreement
   75% agreement
   100% agreement
   I do not know.
   Please Justify:

2. Do you recommend any other ISO or international standard, in addition to ISO/IEC 17029:2019 and ISO/IEC 14065:2020, as the relevant accreditation requirements for CBs intending to conduct activities related to carbon offsetting under the FSC Forest Management Certification?

3. Do you agree that FSC should accept accreditation to ISO/IEC 17029:2019 and ISO/IEC 14065:2020 from other accreditation programs as proxy accreditation, allowing an FSC CB holding such accreditation to qualify for conducting certification activities for carbon offsetting?

   0% agreement
   25% agreement
   75% agreement
   100% agreement
   I do not know.
   Please Justify:

4. Do you recommend any accreditation body for ISO/IEC 17029:2019 and ISO/IEC 14065:2020 for carbon offsetting that FSC should exclude as a proxy accreditation, and why?

5. Do you agree that CBs/VVBs' conformity to ISO/IEC 17029:2019 and ISO/IEC 14065:2020 alone is insufficient and that FSC should adapt these ISO standards to its normative framework by specifying additional normative requirements, such as process requirements for carbon projects and personnel competency, etc.?

   0% agreement
   25% agreement
   75% agreement
   100% agreement
   I do not know.
   Please Justify:

6. Is there a specific topic from ISO/IEC 17029:2019 and ISO/IEC 14065:2020 that you would recommend FSC to further specify in its additional normative requirements?

7. Do you propose any international accreditation standards related to biodiversity offsetting, water offsetting, and biodiversity credits?

8. Would you agree that liability and legal arrangements currently in place in FSC are strong enough to handle any potential issues (connected with million-dollar worth of claims)?

CLAIMS

8.1 INTRODUCTION

One of the important elements of addressing compensation and neutralization of impacts beyond the value chain is regulating what financial supporters (i.e., buyers or sponsors) can communicate – this is, what claims[30] can make. According to the technical analysis of PbN[13] it was indicated that buyers of high integrity offsetting solutions (such as carbon credits) must follow the VCMI Claims Code of Practice[31].

The Ecosystem Services Procedure has clear requirements to regulate how certificate holders and their sponsors can make claims, and these requirements are complemented by the standard *Requirements for use of the FSC trademarks by certificate holders* (FSC-STD-50-001) and the *FSC Trademark User Guide for Promotional License Holders*[32]. However, in order to make high-quality claims to communicate investments on high-integrity carbon credits, alignment with the VCMI Claims Code of Practice has been recommended in the technical analysis.

The main purpose of the VCMI is to provide clear requirements, recommendations, and guidance to companies and other non-state actors on how to use carbon credits (VCMI defines high-integrity carbon credits as those that meet the ICVCM Core Carbon Principles and qualify under its Assessment Framework) for their near-term emission reduction objectives and long-term zero commitments, and how to credibly communicate such investment. There are four steps, each underpinned with further requirements, that need to be followed to obtain VCMI claims. These include:

- Comply with the foundational criteria: this will include amongst others maintaining and publicly disclosing an annual greenhouse gas emissions inventory, setting and publicly disclosing science-aligned near-term emission reduction targets, and publicly committing to reaching net zero emissions that should be no later than 2050, etc.
- Select a VCMI claim to make and demonstrate progress toward meeting near-term emission reduction targets.
- Meet the required carbon credit use and quality thresholds: Purchase and retire high-quality carbon credits following the ICVCM's Core Carbon Principles, and transparently report all relevant information about the retired credits, including authorization by the host country.
- Obtain third-party assurance following the VCMI Monitoring, Reporting & Assurance (MRA) Framework: To substantiate a VCMI Claim, companies must provide information related to the Foundational Criteria and claim-specific requirements, including details on the retirement of high-quality carbon credits. The VCMI MRA Framework specifies procedures for reporting and obtaining

[30] Claims are defined by ISEAL as *messages for describing or promoting a product, process, business, or service with respect to its sustainability attributes or credentials*. See more in ISEAL (2015) Sustainability Claims: Good Practice Guide. Sustainability Standards Systems' Guide to Developing and Managing Environment, Social and/or Economic Claims. Version 1.0. ISEAL Alliance, London.
[31] VCMI (2023). Claims Code of Practice: Building Integrity in Voluntary Carbon Markets. Version 2.
[32] FSC (2020). FSC Trademark User Guide for Promotional License Holders. FSC Global Development, Bonn.

independent third-party assurance of key metrics, which companies must follow to support their VCMI Claims.

For high-quality carbon credits, VCMI Claims Code of Practice offers a very high standard for ensuring integrity and quality. However, there is currently no comparable framework for high quality claims for biodiversity credits, biodiversity offsets, or water offsets to the same extent, as per our knowledge.

8.2. PROPOSALS

For FSC to enable robust and high-integrity claims related to compensation or neutralization of impacts beyond value chains (related to carbon), the normative requirements for sponsors/buyers need to be aligned with the VCMI Claims Code of Practice.

Table 13. Proposal for high-quality carbon credit claims.

Topic	Proposal	Deliverable	Pros (Opportunities)	Cons (Risks)
High-Quality Carbon Credit Claims	The requirements for claims in the normative document shall be aligned with the Voluntary Carbon Markets Integrity (VCMI) Claims Code of Practice to ensure the generation of high-quality carbon credit claims.	VCMI Claims Code of Practice is aligned with.	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.

8.3. QUESTIONS

1. Do you consider that FSC should control the claims that sponsors/buyers make?
    a) Yes, looking for assurance as proposed by Step 4 of VCMI claims.
    b) Yes, but limited to what FSC assures now.
    c) No, FSC should not control the claims of sponsors/buyers.
    d) Other Comments.

    Please Justify:

2. Should FSC enable corporate claims based on the concepts of compensation and neutralization (as defined in section 2.1.) by sponsors/buyers?
    a) Yes, for both concepts.
    b) Yes, but restricted (elaborate on the restrictions you would propose)
    c) No
    d) Other Comments.

    Please Justify:

3. Should FSC be fully aligned with the types of claims proposed by VCMI i.e.,

    - **Carbon Integrity Silver**[31] (this requires the purchase and retirement of high-quality carbon credits equal to or greater than 10%, but less than 50%, of a company's remaining emissions after demonstrating progress toward its near-term emission reduction targets)
    - **Carbon Integrity Gold**[31] (this requires the purchase and retirement of high-quality carbon credits equal to or greater than 50%, but less than 100%, of a company's remaining emissions after demonstrating progress toward its near-term emission reduction targets).
    - **Carbon Integrity Platinum**[31] (requires the purchase and retirement of high-quality carbon credits equal to or greater than 100% of a company's remaining emissions after demonstrating progress toward its near-term emission reduction targets).?

    a) Yes
    b) No
    c) Other Comments.

    Please Justify:

4. What challenges/risks do you foresee in incorporating VCMI requirements for high-quality carbon credit claims within a relevant normative document in FSC? Please specify separately.

5. What benefits do you perceive in incorporating VCMI requirements for high-quality carbon credit claims within a relevant normative document in FSC?

6. Addressing biodiversity at the corporate level is a complex issue that is not yet fully developed. Limited data availability for avoidance and reduction measures may make it challenging for FSC to effectively assess the mitigation hierarchy. Is it realistic that the FSC could evaluate the mitigation hierarchy of the sponsors seeking biodiversity offsets?
    a) Yes
    b) No
    c) Other Comments.

Please Justify:

7. Are you aware of frameworks similar to the VCMI Code of Practice for biodiversity credits, biodiversity offsets, and water offsets? If yes, please list them separately for each category (biodiversity credits, biodiversity offsets, and water offsets).

8. Should FSC also develop normative requirements for controlling claims for biodiversity offsets, water offsets, and biodiversity credits?
    a) Yes
    b) No
    c) Other Comments.

    Please Justify:

9. What elements do you propose for the normative requirements for controlling claims related to biodiversity offsets, water offsets, and biodiversity credits? Please list them separately for biodiversity offsets, water offsets, and biodiversity credits.

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