



DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES
KAGAWARAN NG KAPALIGIRAN AT LIKAS YAMAN



MEMORANDUM

FOR : The Undersecretary for Policy, Planning and International Affairs
The Undersecretary for Field Operations – Luzon, Visayas and Supervising Undersecretary for Mines and Geosciences Bureau-Luzon and Visayas, Environmental Management Bureau-Luzon and Visayas
The Undersecretary for Field Operations-Mindanao and Supervising Undersecretary for Mines and Geosciences Bureau-Mindanao, Environmental Management Bureau-Mindanao
The Assistant Secretary for Policy, Planning, International Affairs and Climate Change

FROM : The Undersecretary for Finance, Information Systems and Climate Change

SUBJECT : **HIGH-LEVEL MEETING ON DRAFT POLICIES ON FOREST CARBON TRADING FOR THE PHILIPPINES**

DATE : 26 September 2024

The Department of Environment and Natural Resources (DENR), with support from the United Nations Development Programme (UNDP) and its Accelerating Green and Climate Finance in the Philippines: Nature-based Solutions (AGCF) Project funded by the Government of Canada, is formulating an Executive Order (EO) on Carbon Market Mechanisms and its accompanying carbon trading policy roadmap. These initiatives will play a crucial role in shaping the policy framework for developing and implementing forest carbon trading in the country.

In view of this, we are pleased to invite you to a High-Level Meeting on **04 October 2024, from 9:00 AM to 12:00 NN at Park Inn Quezon City**. The meeting aims to bring together high-level officials from relevant national government agencies to discuss the draft Executive Order and carbon trading policy roadmap, and to explore potential synergies with your other relevant policies and initiatives.

Attached, is a copy of the indicative agenda, draft Executive Order, and roadmap for your reference.

MEMO NO. 2024 - 864

We kindly request that you register online to confirm your attendance through this link: bit.ly/DENRcarbonmeeting. You may reach out to Ms. Joy Camille Baldo of the UNDP Climate Finance Team via email at joy.camille.baldo@undp.org or to Mr. Albert Magalang of the DENR-Climate Change Service at aamagalang@denr.gov.ph, should you have questions with regard to this activity. We look forward to your cooperation and participation in this important meeting.

Your attendance will be highly appreciated.


ATTY. ANALIZA REBUELTA - TEH

CARBON TRADING POLICY ROADMAP
First Draft

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Executive Summary

This carbon trading policy formulation road map identifies the needed technical, policy, institutional, financing and partnership support to design and implement a carbon market policy in the Philippines. The roadmap covers carbon emission reduction and removal projects in terrestrial and mangrove forests in the Philippines, intended for the voluntary markets, bilateral agreements and REDD+ Results Based Payments.

The range of project activities may include forest protection, Afforestation, Reforestation, Revegetation, REDD+ activities, Improved forest Management, Wetland Conservation and Protection, Peat Land Management and others.

- *With the government, private and non-government organizations, people organizations pushing for forest carbon projects there is an urgent need to clarify carbon ownership and tenure. Because carbon is stored in trees and land, in many cases the answer will entail an understanding of rights over the resources and services they provide. Determination of "who owns the carbon?", "who can sell carbon?" is crucial considering that millions of Filipinos are dependent on the forest and its resources, and potential forest carbon areas are located inside forest areas where communities hold varying tenurial instruments.*
- *Despite the absence of an explicit legislation and policy (executive and administrative regulations) on forest carbon projects and an official definition on carbon, carbon rights carbon credits, and defined institutional arrangements the existing legal and policy frameworks, taken together, provide a basis to develop and implement forest carbon project including determination of who owns and can transfer the carbon.*
- *Discussions on carbon credit regulation in the last decade has been inhibited by weak political interest, lack of central authority over carbon projects and the lack of government decision on the legal nature or the treatment of forest carbon and the carbon credits : Is forest carbon a forest resource or it is an ecosystem service or a commodity? Discussions on these are important policy decisions to identify policy pathways and institutional arrangements.*
- *The carbon market mechanisms will likely require new institutional arrangements but built on existing structures and mandates. This roadmap seeks opportunities to strengthen and align existing structures, rather than unnecessarily introduce new bodies and regulations. The goal will be to streamline processes to facilitate project development and performance and avoid bureaucratic red tape.*

Insert roadmap milestones in timeline view- color coded and with responsible agencies

Introduction

Strategies

Carbon crediting policies and programs in the Philippines shall be guided by the following strategies

- 1. Transparency and effective governance.** Carbon credits generated from the Philippines is credible, real and can be tracked; The proponent shall make an accurate and full disclosure of information concerning the proposed program, project or activity in a manner that is both accessible and understandable to the concerned community and government

Provide transparency and accountability mechanisms such as access to information, grievance mechanisms, conflict resolution mechanisms, and effective remedy/corrective actions when violations of these guidelines have been committed by any party.

---Risks and uncertainty in the carbon market underscore the need for transparent process to enhance market efficiency which includes government process of authorizations
- 2. Project activities shall be designed to deliver real, measurable and long-term benefits related to climate and minimize the risk of reversals and displacements of emission reductions and, where reversals occur, ensure that these are addressed in full.**
- 3. Project activities shall be beneficial¹ and avoid negative environmental and social impacts, while contribute to climate actions /targets. The project must adhere to best practices to minimize negative environmental impacts and protect the community's traditional way of life. Protected area laws, biodiversity and conservation of wildlife resources laws, shall be considered in project design.**

Local cultures, values, traditions, religious beliefs and the rights of indigenous peoples to their ancestral lands and domains as promoted and/or defined by existing legislation shall be recognized and respected in all forestry undertakings of the State and the private sector.²

Forest carbon project shall not restrict access and use rights, and the sustainable traditional practices in harvesting forest resources by the ICCs/IPs.
- 4. Ensure alignment to the country's climate change targets, Nationally Determined Contributions (NDCs), National REDD+ Action Plan ..Carbon project shall be consistent with the land and natural resource use regulations set by the community in their resource management plan, ancestral domain sustainable and protection plans (ADSDPP) and other relevant plans.----Conservation of Biodiversity and other non-carbon benefits**
- 5. Equitable and Inclusive Benefit sharing mechanism. Local, regional and national plow-back mechanisms of utilizing proceeds from the use of forests and forestlands for ecological and environmental services shall be developed and promoted to finance forest protection, rehabilitation, and development.³ Project benefits should**

¹ Principle beyond DO NO HARM BUT PEOPLE AND FOREST BENEFITS.

² Ibid.

empower communities and Indigenous Peoples to achieve long-term economic and social well-being.

6. *Genuine and effective engagement of stakeholders particularly Indigenous Cultural Communities, CBFM Peoples Organization, Women and Youth. Community-Based Forest Management (CBFM) shall be the primary strategy in all forest conservation and development and related activities.*

Policy Milestones and Targets

I. Establish an explicit policy framework for engagement in carbon markets

There are no explicit policies on developing carbon projects in the Philippines, designated authorities and project authorizations, and the process of commercializing the carbon credits generated from project activities. In spite of this, existing laws and regulations on forestry⁴, coastal resource management, protected areas, local governments and Indigenous Peoples provide guidance on how forest carbon project can be established, responsibilities of the government agencies, eligible activities in forest lands, environmental and social safeguards. Moreover, these frameworks and sectoral laws, with their corresponding regulations also provide an approach on what are the approvals and safeguard requirements for carbon projects in forestry.

Mangrove forests and seagrass meadows form part of the coastal area regulated by a number of laws such as Fisheries Code as amended, IPRA, Strategic Environmental Plan (SEP) for Palawan, the LGC and land use planning regulations. On top of these national laws, the local government units have the power to promulgate ordinances and resolutions on mangrove and coastal area regulations.

It is important to note that in the past, policies on carbon project development, carbon credit regulations and rationalizing them within DENR have been drafted and pilot projects have been launched. In the past decade, the following policies were passed and are still subsisting.

- I.1 The [Philippine National REDD Plus Strategy \(PNRPS\) 2010](#) is the guiding document intended to facilitate REDD+ development and implementation from 2010-2020. The Philippines was targeting results based payment from REDD+ activities by 2017 with the scale of piloting from project level going up to sub-national and then national. However, this has yet to pan out as the country has yet to complete the United Nations Convention on Climate Change (UNFCCC) Warsaw Framework for REDD+ (WFR), a set of decisions guiding national implementation.

- I.2 Executive Order ([EO 881- REDD+⁵](#)) authorized the Climate Change

³ Adapted from Section 2.5, EO 318, Series of 2004

⁴ The primary legislation on climate change and the role of forests is the Climate Change Act of 2009 as amended by RA 10174 (2012) and the Presidential Decree No. 705, as amended, otherwise known as the "Revised Forestry Code of the Philippines.

⁵ Executive Order (EO) 881, Series of 2010. Section 1 and 2 of EO state:

Commission (CCC) to coordinate existing climate change initiatives, including REDD-plus initiatives and other similar mechanisms. The EO designates the DENR as the operational arm for REDD+ activities, and as manager of REDD+ resources acquired by the government. This policy has provided an initial structure of who is in charge but failed to recognize that majority of the forest lands are claimed and titled as ancestral domains, the policy is silent on the role of the National Commission of Indigenous Peoples (NCIP) and the local government units (LGUs).sVoluntary Carbon Market transactions can be interpreted as falling under “ other similar mechanisms”

- I.3 A National REDD-Plus Action Plan 2022- 2031 was developed in 2021 geared towards unlocking results based payment from the UNFCCC, and identifying priority areas towards the completion of the Warsaw Framework for REDD-Plus. These measures are embedded under the ten (10) Priority Areas towards Results-Based Payment and a set of targets for each area. The Action Plan is under deliberation at the DENR Policy TWG

1.1 Inclusion of Forestry in the National Determined Contribution

Under the Paris Agreement, all countries are required to create Nationally Determined Contributions (NDCs) and report on their progress in reducing emissions. Voluntary carbon markets (VCMs) – and compliance carbon markets – can help countries to increase their ambition and generate emission reductions and removals that go beyond existing NDCs.

Article 4.13 of the Paris agreement mandates that countries track their emissions as part of their NDCs. To do this, countries must develop a method for measuring progress toward their NDC goals and identify reliable data sources.

In terms of the carbon markets, it is essential that host country governments decide whether – and to what extent – voluntary and regulated carbon market transactions should contribute to their (NDC). This decision requires an assessment of the mitigation potential of existing and planned policies, including the identification of potential mitigation gaps.

The Philippines submitted its NDC in 2021. The Philippines emits an average of 1.98 metric tons of carbon dioxide equivalent per capita in 2020, or way below the global average of four (4) metric tons per capita, and commits to a projected GHG emissions reduction and avoidance of 75%, of which 2.71% is unconditional⁹ and 72.29% is conditional (NDC, 2021) for the period 2020 to 2030 for the sectors of agriculture, wastes, industry, transport, and energy.

There are no specific provisions under UNFCCC REDD+ Framework, Jurisdictional Nested REDD+ FCPF Carbon Fund and the carbon standards requiring countries to have forestry targets in the NDC. However, countries receiving REDD+ results-based payments

Section 1. Coordination. - The Climate Change Commission is hereby authorized to include in the scope of its coordination the programs and action plans relating to Reducing Emissions from Deforestation and Forest Degradation - Plus (REDD+), and other similar mechanisms. The Department of Environment and Natural Resources (DENR) shall serve as the operational implementor of REDD+.

Section 3. Support from United Nations and International Organizations. - Any support from the United Nations and other international organizations for REDD+ shall be managed and utilized by the DENR in accordance with its organic mandate. Other similar mechanisms shall be managed and utilized by the department vested with the organic mandate to perform such mechanism. However, such management and utilization by the DENR and other agencies as applicable shall be coordinated with the Climate Change Commission

through accredited entities must reinvest the proceeds in activities in line with their current of next NDC. Countries can consider, at their own discretion, to use the emission reductions towards achievement of their NDCs.

Under the REDD+ standard, ART TREES, Participants, or the Participant's national government, shall include forests in their NDCs. Forests must be included as part of the overall NDC target, though a s specific NDC target for forests is not required. ART requires Participants to calculate GHG reductions based on the 100-year Global Warming Potentials (GWPs) in the IPCC Assessment Report that is used by the host country in NDC reporting, with the goal for all reporting to include GWPs in the IPCC Fifth Assessment⁶

1.2 Clarify carbon ownership in forest lands.

Carbon ownership has emerged as a key concern for REDD+ implementation, as it determines who should receive payments for the results. This issue is even more critical in voluntary carbon markets, where rights to create, sell, and transfer carbon credits are involved. Currently, the lack of a clear regulatory framework for carbon projects creates challenges in their development and execution.

Under the current rules for REDD+ , ownership of REDD+ results paid for by Green Climate Fund (GCF) will not be transferred to GCF. The results proposed by the countries will be recorded in the Lima REDD+ Information Hub and the recipient countries' national counterpart systems in place, as appropriate, to ensure that such emissions reductions (ERs) will not be transferred, offered for payments, and/or used for other purposes (e.g. offsetting). The results will no longer be eligible for result-based payments under the GCF or in any other arrangement included in national or subnational REDD+-related accounting systems. Countries can consider, at their own discretion, to use the results towards achievement of their nationally determined contributions (NDCs).⁷

In most jurisdiction, the rules is that unless the law states otherwise, it has generally been presumed that the owner of the land owns the forest and, therefore, owns the carbon and non-carbon benefits attached to the forest.

In the Philippines, the general rule is that all natural resources are owned by the State and shall not be alienated, and in cases of exploration, development, and utilization of these natural resources, it shall be under the full control and supervision of the State, who can directly undertake these activities or enter into co-production, joint venture, and production sharing agreements with Filipino citizens (Article XII, Section 2), within a framework of the citizens' right to a balanced and healthful ecology (Article 2, Section 16) and rights of indigenous cultural communities to their ancestral lands to ensure economic, social, and cultural well-being, consistent with national development priorities (Article XI, Section 4).

Text Box: In 2018, the Democratic Republic of Congo passed a decree stating that the national government, as the forest owner, holds the main rights to carbon units, but can

⁶ cite UNDP source

⁷ Policy for Results Based Payments for REDD+, Draft paper by the Green Climate Fund, September 2024

transfer them to private developers through a certification process. Similarly, Mozambique grants all forest carbon rights to the government, with the option to transfer them to developers. Madagascar's draft REDD+ decree goes further, proposing that the government owns all emissions reductions from REDD+ activities and has the sole right to commercialize such rights

The Philippine constitutional provision on state ownership and control on exploration, development and utilization of natural resources is qualified by other equally important provisions of guaranteeing the stewardship by local communities of the natural resources around them, rights of IPs, rights of women and the principle of beneficial use⁸ may be used as a measure and limit of the state's grant, this includes permit issued by local governments who have been delegated with powers from the national government.⁹

For discussion and the decision

- Who owns the carbon in Philippine trees?
- What is the extent of powers of forest tenure holders in relation to carbon project development and carbon trading.
- What are the required documentation for such forest carbon rights?
- Who can transfer them and how?
- Who should be paid? How much? How often?

1.3 Determine the legal character of carbon, carbon rights, carbon credits and its associated rights.

Carbon and carbon credits have been introduced in the UNFCCC in the 1990s with the purpose of reducing greenhouse gas emissions into the atmosphere, but legal characterization of these terms has not been an issue until recently, with the growing demand for carbon credits. At this stage, beyond the practical implementation of carbon trading, attention is on legal characterization to reduce business risks as well as scale up finance into climate mitigation.

Under the Kyoto Protocol, carbon is tracked and traded like any other commodity. Under the protocol, emitting greenhouse gas (GHG) emissions over a set limit entails a potential cost. Conversely, emitters able to stay below their limits hold something of potential value. Thus, a new commodity has been created – emission reductions. Because carbon dioxide (CO₂) is the principal greenhouse gas, people speak simply of trading in carbon.

Carbon rights grant the holder the right to benefit from greenhouse gas (GHG) emission reductions or removals. It is distinguished from carbon credits, which are tradable carbon credits which represent GHG emission reductions or removals verified and issued in accordance with the rules of carbon standards, such as Gold Standard, Verra and others.

⁸ Beneficial use means the use of the environment or any element or segment thereof conducive to public or private welfare, safety, and health; and shall include, but not be limited to, the use of water for domestic, municipal, irrigation, power generation, fisheries, livestock raising, industrial, recreational and other purposes

⁹ Who owns the carbon to the trees

Carbon rights define the underlying entitlement to benefit from GHG emission reductions or removals associated with an asset (e.g., land or forest) or activity (e.g., a VCM project). Those who hold carbon rights can engage in the project development and generate carbon credits from the project activities. This also means that those rightsholders can transact and claim the proceeds from the sale of carbon credits. Carbon rights may also entitle holders to participate in benefit sharing agreements.

Developers are responsible for establishing carbon rights according to the rules of the standards and national regulations

In the Philippines, legal characterization of carbon rights will determine who can participate in and benefit from the VCM activities, and if carbon project development will follow carbon ownership rules, there will be potential limitation on foreign actors.

A study in 2011, recommended that carbon rights legal framework in the Philippine shall build on existing policies and institutional frameworks related to natural resource management, must be based on a rights-based approach, treats carbon rights as part of a bundle of rights that should not be segregated from the forest tenure holder, and must be interpreted in conjunction with the existing laws to prevent conflict and curtailment of existing rights.¹⁰

As text box

In Singapore, case law suggests that verified carbon credits should be capable of being recognized as a form of intangible property under Singapore law, a similar stand under English Law. Despite the flexibility of Singapore courts in recognizing property rights in intangible assets where the market treats those assets as property, it remains the case that, pending an authoritative statement, there is currently a degree of perceived or residual uncertainty over the characterization of voluntary carbon credits under Singapore law.¹¹

In Japan, discussions on the legal nature of voluntary carbon credits are still at a very early stage. They have two possible approaches to characterize the legal nature of voluntary carbon credits under Japanese law: As an intangible asset; or a bundle of claims and the corresponding obligations including contractual or statutory ones. However, without legislative action, the legal nature of voluntary carbon credits under Japanese law remains unclear.

In Thailand, carbon credit is considered as an incorporeal "property" susceptible of having a value and of being appropriated whether for sale, use or any other purposes and falls within the definition of "goods" under the Revenue Code.

In Philippines, the legal characterization of carbon credit will determine how ownership and proprietary rights like sales, transfers and retirement will be governed. It may also establish permitting and safeguards requirements as well the approving authorities.

¹⁰ Who owns the *Who owns the Carbon in the Philippine Forests? A Study on Clarifying Forest Carbon Rights for REDD+ in the Philippines*: Volume I: Main Study Report and Volume II: Case Studies. DENR-FMB and the German Development Cooperation (GIZ) and NTFP-EP. March 2011- March 2012. <https://faspelib.denr.gov.ph/node/347>

¹¹ xxx

On the nature of forest carbon, the prevailing discourse is still in the context of clarifying forest carbon rights under the National REDD+ System published in 2011. One of the conclusions in this study is that any analysis on ownership of carbon rights within the Philippine legal regime must essentially use the rights-based approach, and treat carbon rights as part of a bundle of rights by the tenure holder. In order not to defeat the rights of indigenous peoples and local communities over their ancestral domain and forest tenure, it is recommended that carbon rights should not be segregated from the rights granted over forest resources and the land. As carbon sequestration cannot exist without the forests, primary right to the carbon should be to the community that manages the forest. Separate carbon rights that may be granted to other groups (other than the community managing the forests/IPs in their ancestral domain) will be another layer of tenure right that may result in conflict. In addition, it was shown that with the exception of carbon rights in the ancestral domain, being private property of the indigenous peoples, carbon rights are State-owned¹²

Carbon credits is mentioned in Republic Act No. 11966 otherwise known as the Public Private Partnership (PPP) Code under the blanket term Green Financing.¹³

The lack of clarity on the legal characterization of carbon and carbon credit is an impediment to standardizing the rules on carbon trading and scaling carbon finance. International Bodies such as the International Institute for the Unification of Private Law (UNIDROIT) had discussed. Greater clarity over the legal treatment of VCCs would therefore contribute to a more robust market. It would significantly enhance the development of an efficient global voluntary carbon market as the legal treatment governs not only the creation, transfer and retirement of VCCs but also impacts broader considerations, such as fungibility, the circumstances under which a transferee obtains ownership rights to the VCC on a transfer, the requirements for taking proper security and the treatment of VCCs in an insolvency situation.¹⁴In terms of alternative assets, there are known 7 types¹⁵, and one of which is commodities. demand for commodities results in higher prices and, therefore, investor profit.

There can be various actions¹⁶ that can be taken countries to clarify the legal nature of voluntary carbon credit, including the issuance of an authoritative legal statement, this will be legislative amendments and/or regulatory guidance at a jurisdictional level. Most importantly, government should continue to engage with carbon market actors and monitor developments of global standard setters.

Issuance of an authoritative market-wide legal statement in a particular jurisdiction would provide comfort to the market pending (or in the absence of) statutory or judicial

¹² [Who owns the Carbon in Philippines Trees?](#)

¹³ Carbon credits are defined under Section 3(m) of the PPP code: Green Financing refers to investments that create environmental benefits in support of green growth, low-carbon, carbon avoidance, and sustainable development, and the use of alternative assets such as carbon credits, such as those pursuant to Article VI of the Paris Agreement, or ecosystem services;.

¹⁴ **International Institute for the Unification of Private Law (UNIDROIT)**. Discussion of the October 2023, the first session of the UNIDROIT Working Group on the Legal Nature of Voluntary Carbon Credits

¹⁵ <https://online.hbs.edu/blog/post/types-of-alternative-investments>

¹⁶

developments. There are precedents for this in other markets, including credit derivatives³⁹ and digital assets⁴

The characterization of a VCC itself will be distinct from the characterization of a transaction in VCCs (including from a regulatory perspective)

Literally interpreted, it states that any and all property rights over tangible assets can only be created when stipulated in law.

- Legal nature of carbon, is it a forest product /natural resources, an ecosystem service or a commodity, how to treat carbon credits. Determination will be useful to define regulations and institutional arrangements on carbon credit
- Policies or any details of authorizations/ approvals required before the private sector can develop carbon projects and sell carbon credits
- The FPIC process being both a legal requirement and safeguards process, what is the category of REDD+ projects under National REDD+ System and forest carbon project for voluntary carbon markets
- Legal basis for the international carbon trading and implications to the Carbon Accounting, Verification, and Certification System (CAVCS) for Forest Carbon Projects, REDD+ Action Plan, and the Philippine NDC;
- Can voluntary carbon credits be used as a security for a financial obligation

1.4 Guidance on government allocation or claim in carbon credits, revenue or fees on carbon projects

The determination of carbon ownerships, carbon rights and carbon credits can help clarify the tax and other regulatory treatment for such activities such as share of government and fees, thus enable the scaling up of the voluntary carbon market and climate finance. In this context, clarifying ownership and characterizing legal nature carbon credits are not only desirable but necessary. With the exception of the Green Climate Fund (GCF), financial opportunities from carbon credit are based on ownership on the credits,, these credits are later transacted or canceled/retired by one or both parties involved.

A law that has expressly mentioned carbon credits and linked as green financing is under the Republic Act 11966, Public Private Partnership (PPP) Code. The Code is effective December 23, 2023.

Green Financing: investments that create environmental benefits in support of green growth, low-carbon, carbon avoidance, and sustainable development, and the use of alternative assets such as carbon credits, such as those pursuant to Article VI of the Paris Agreement, or ecosystem services (Section 3(m), Republic Act 11966)

The PPP Code expressly provides that carbon credits projects are example of PPP projects for green financing¹⁷, and such as carbon credits can be done through a Joint

Venture Agreement¹⁸. The PPP Projects are entitled to special investment incentives¹⁹ such as applicable tax exemptions.

The LGUs may have the right to share carbon benefits based on provisions of the Local Government Code. A VCM and REDD+ project may fall as a form of utilization and exploration of natural resources, and as such, the national government may exact fees for use of national wealth and the LGUs covering the project areas will be entitled to a share based on the Local Government Code. If a Joint Venture with an LGU is the vehicle to be used, the PPP Code prescribes a benefit sharing scheme based on the equity share in the venture, profits are equivalent to the percentage in equity share.²⁰

On carbon taxation, this will be impacted by the determination of the legal nature of carbon credits. Is it a forest resource, environmental attribute, ecosystem service or a commodity? Discussion on carbon taxation which is within the jurisdiction of the Department of Finance has not started.

For discussion and decision:

- If carbon is forest resource, should it follow that carbon projects are as a form of development and utilization of natural resources which in turn triggers all requirement for development and utilization under Philippine laws? Should the current forest fee structure apply?
- Will the provision of Local Government Code In this way, all policy and regulations mentioned above will apply for mangrove restoration and carbon projects.

2. Guidance on Project Development and Eligibility

Areas for discussion and decision are as follows:

- Confirmation/ legal statement from the designated national authority on the eligible mitigation activities
- As of now, all methodologies from international carbon standards are welcome, there is pre- approved methodologies, if there are changes, are there laws protecting investors in such policy changes ?
- Areas allowed for carbon project development, this can priority areas. Is there a negative or red list that developers should know?
- The process of project authorizations, in consideration of the Ease of Doing Business²¹ act amends the Anti-Red Tape Act²² prescribes time periods for

¹⁷ Section 3(m) of the PPP Code defines Green Financing: investments that create environmental benefits in support of green growth, low-carbon, carbon avoidance, and sustainable development, and the use of alternative assets such as carbon credits, such as those pursuant to Article VI of the Paris Agreement, or ecosystem services;

¹⁸ Section 11 of the PPP Code read in conjunction with Section 30.

¹⁹ Section 17 PPP Code

²⁰ Section 11 PPP Code

²¹ Republic Act No. 11032

government bodies to process transactions with them depending on their complexity. Note that if an application that is complete with all required documents attached and fees paid is not acted upon by the concerned agency within the prescribed periods above, the application is deemed automatically approved.²³

- This now the DAO by FMB on carbon projects-

2.1 Determine Tenurial arrangements for carbon project

There is an implicit legal right derived from existing laws or existing rights that do not specifically mention carbon rights by name, but nonetheless could govern rights to benefits from reduced deforestation/degradation or carbon sequestration by forests.

The Philippines can avoid disputes about carbon rights by clarifying land tenure rights and by establishing rules developing project. Countries can go further by clarifying the precise tax, accounting, and regulatory requirements that apply to carbon credits.

For Discussion

- Among existing tenure types in the Philippines given by the DENR to qualified person, association and/or corporation (e.g. Integrated Forest Management Agreement (IFMA),
- Community Forest Management Agreements (CBFMA), Protected Area Community-Based Resource Management Agreement (PACBRMA), will the resource rights derived from such agreements include carbon rights? If yes, to what extent?
- Under the native title (possession of the property since time immemorial) and Indigenous concept of ownership and definition of ancestral domains within Indigenous Peoples Rights Act (IPRA), will the resource rights derived from IPRA include carbon rights? If yes, to what extent?
- Will the local government units require tenure from DENR to develop carbon projects in forest areas under their management?
- Can joint venture agreement and Forest Land Use Agreement issued by the DENR be used as a tenure document for purpose of carbon project development? In the same manner will carbon projects fall under a Special Use Agreement in Protected Area (SAPA)?

If community tenure rights to the forests are unclear, projects may result in their marginalization and disenfranchisement. Thus, IPs and local communities based in the forests must have tenurial security before carbon projects programs commence. In a similar manner, private sector who wants to engage in carbon projects from their own forests or enter partnership with communities, must have guidance how.

²² Republic Act No. 9485

²³ Section 10 of the Ease of Doing Business Act

2.2 Adoption of the Sustainable Forest Land Management Agreement (SFLMA) which includes carbon development

The DENR is discussing adoption a new tenure system called Sustainable Forest Land Management Agreement (SFLMA)²⁴ which is a production sharing agreement between the DENR and a qualified applicant over a parcel of forest land to undertake Sustainable Forest Management for a period of 25 years, renewable for another 25 years.

In the current draft, corporation, association, Cooperative and Partnership duly registered under Philippine Laws can apply for new tenure over forest lands which are not covered by any tenure or management arrangement including foreshore areas adjoining forest land. The award can be 10,000 hectares with a provision that “In cases of forest carbon projects, the area size that may be awarded with SFLMA shall follow existing laws, rules and regulations.” This means that the maximum hectares will be per tenure applicant and it does not prohibited for tenure holders to partner with other tenure holders for a project such as a carbon project which requires for a larger area.

2.3 Update/ Amend the Department Administrative Order (DAO) 2021-43, Carbon Accounting and Verification System (CAVS).²⁵

The CAVCS was envisioned to be a national standard but has yet to fully aligned with and be at par with the internationally accepted and recognized carbon standards. As of now, there is yet no policy on domestic and international trading of certificates and the governance system to monitor the traded certificates. These issues along with the feasibility of a domestic carbon market are recognized as important and are within the long-term plans of the FMB. The CAVS provides the general approach to jumpstart forest carbon projects in the Philippines, it should function both as a registry to track applications of forest carbon projects and as a database for carbon

The current CAVCS policy, plans to operate independently with limited integration into relevant regulations. It has not leveraged the systems, experience, and policies established by the DENR under the PNRPS. Additionally, it has introduced new responsibilities and systems for the Forest Management Bureau and regional field offices without including capacity-building measures or a policy rollout to provide the legal basis for budgeting these actions

2.3.1 Develop Registry Framework elements

The CAVCS Carbon registry to be revised consistent with simplified tracking/monitor forest carbon projects in the Philippines, it should function both as a registry to track applications of forest carbon projects and as a database for carbon projects.

The CAVCS Registry is an online platform managed by the DENR and supported²⁶ by its Multi-Stakeholder Working Group for responsible governance of carbon projects in the Philippines. It functions to: a) Publish CAVCS guidelines, b) Record carbon projects in various stages of development; c) Aggregate carbon project records from independent

²⁴ Internal draft of the DAO has been in policy discussions at the DENR FMB and in the Executive Committee, but not available to the public for sharing.

²⁵ Policy targets here are taken from the CAVCS Assessment

²⁶ The composition and terms of reference of the Multi-Stakeholder Working Group should be defined.

registries relevant to the CAVCS; d) Contribution to the relevant Philippine Development Targets; e) Announce issued and/or drafted policies for consultation (CAVCS Report, FMB)

The policy on CAVCS must be amended to enable the DENR to monitor carbon projects across multiple mechanisms to enhance transparency and accountability in all carbon-related investments and activities, market or non-market, voluntary or compliance, in its CAVCS Registry. DENR can use the enhanced CAVCS registry in its role as designated national authority.

2.3.2 Redesign the CAVCS and do-away with government offices as validating and certifying body

DAO 2021-43 established the CAVCS, but since its issuance in 2021, this was not implemented and made operational. As per CAVCS review, the necessary implementation arrangements and resources to set up a CAVCS Technical Working Group (TWG), an interim VVB, capacity building for the Department of Trade and Industry-Philippine Accreditation Bureau, and the development of a comprehensive work and financial plan to operationalize the whole system fully have not been undertaken because of the interruption by the COVID-19 pandemic, the development of the National Forest Monitoring System policy, and the Forest Reference Emission Level that have emerged since then.

Transparent information on credited mitigation activities in the forestry sector is tracked by a government carbon registry, containing comprehensive and transparent information on all mitigation activities and project developers, publicly available to enable scrutiny of mitigation activities and gather feedback. There be records of contracts, project developers, land owners and communities and credit buyers.

The CAVCS registry (which is not yet operational) is for development in 2025 can function as the registry of forest carbon projects in the Philippines, by which all forest carbon projects are administered and managed. Eventually the CAVCS registry can be made compatible with the potential Philippine Emissions Trading System (PETS) being explored. The PETS is part of a domestic compliance market (not in forestry but other sectors) being developed by the Department of Finance, Climate Change Commission, DENR with support from World Bank

Questions

- Will the CAVCS registry tract ITMOS and corresponding adjustments
- Will it hold information on ITMOS, authorization, towards the NDCs, cancellation of OMGE
- Will the Philippines pre-approved the methodologies under the existing international carbon standards
- The implementation of the PNRPS as the national REDD+ program is not linked to the voluntary carbon projects, and credits issued under private carbon standards such as Verra and Gold are separate and independent from the results based payments. The proposed CAVCS Enhanced registry can serve as a system of monitoring and tracking reporting results
- The implementation arrangement must be linked with those of DAO 2021-04 on Forest Investment Portfolio Approach (FIPA), specifically Forestry Investment

Review Committee at regional level (in charge of determining forestry areas for investment, issuance of tenure instrument etc.)

4. Pathway for Article 6 engagement

Article 6 is seen as critical to the functioning of international carbon markets and aims to provide countries with the flexibility needed to meet their climate goals more cost-effectively while ensuring environmental integrity and promoting sustainable development. Carbon market activities under Article 6 of the Paris Agreement affect how countries account for their NDCs. Article 6.2 allows countries to transfer emission reductions between each other. These transfers, known as internationally transferable mitigation outcomes (ITMOs), must be reported and tracked to maintain environmental integrity, transparency, and avoid double counting, following guidelines set by the Conference of the Parties.

Transfers under Article 6 of the Paris Agreement require robust measurement, reporting, and verification (MRV) of GHG emission reductions and removals. Emission reductions and removals cannot be accounted for under more than one NDC, in most cases either the generating or the receiving country's NDC.

If countries transfer a mitigation outcome credited under Article 6.2 or Article 6.4. of the Paris Agreement and it is being accounted under another Party's NDC or used against another international mitigation goal, the Parties involved need to make a 'corresponding adjustment' to ensure that there is no double counting of the mitigation benefit by multiple countries.²⁷

The Article 6 guidance does not require carbon credits that are used for voluntary purposes by companies to be authorized by host countries. The choice of whether to offer corresponding adjustments for the transfer of carbon credits belongs uniquely to host countries and is not a decision made by the carbon standard or the buyer. A host country needs to carefully evaluate when and under which conditions it authorizes corresponding adjustments for carbon credits traded in VCMs.

Offering corresponding adjustments to a VCM project results in an enhanced market value of resulting GHG emissions reductions or removals. However, the agreement to make corresponding adjustments may need a governmental act such as executive order or a departmental order . It has been also floated that there are costs associated with corresponding adjustments, host country governments can attach a fee to the authorization to convert a GHG emissions reduction or removal into an ITMO backed by a corresponding adjustment.

Administrative costs to put in place and maintain the infrastructure to engage in Article 6, issue authorizations and approvals, meet reporting and accounting requirements, and eventually make corresponding adjustments;

Opportunity costs of replacing the 'exported' GHG emission reduction or removal with another domestic GHG emissions reduction or removal that can be used to achieve the host country's NDC.

Question for discussion and decisions are:

²⁷ UNDP and Climate Focus, Determining the role for carbon markets in NDC achievement, vcmintegrity.org

- Will the Philippines authorize corresponding adjustments for carbon credits traded in VCMs, when and under what conditions?
- Under the draft Low Carbon Economy Bill²⁸ it states that the Climate Change Commission is mandated to establish the necessary protocols, procedures, and systems to effectively implement the mechanisms for Internationally Transferred Mitigation Outcomes (ITMOs) and other Article 6 transactions, including a system of issuance of Letters of Authority and systems of corresponding adjustments. What is the scope of this authority, will it include carbon credits generated from forestry, land use and waste under the scope of the DENR and renewable energy and technology projects under DOE?
- Carbon project developers from the private sector and NGOs have emphasized the need to understand how CAVCS relates to international voluntary carbon standards or simply put how to expand the CAVCS domestic certificate to allow pathway for international carbon standards and trading.

3. Completion of the Warsaw Framework for REDD+ (WFR) to receive RBPs

The REDD+ framework is established to which encourages Parties to implement and support policy approaches and positive incentives for activities relating to reducing emissions from deforestation and forest degradation (REDD), and “+” means additional forest-related activities that protect climate such as sustainable management of forests and enhancement of forest carbon stocks in developing countries.

REDD+ was designed as an international framework under the United Nations Framework Convention on Climate Change (UNFCCC) to encourage voluntary efforts in developing countries to reduce greenhouse gas emissions and enhance carbon removals from forest activities. It enables the generation of emission reductions and removals (ERRs) at the national—and, provisionally, the subnational level. The Philippines signified its engagement in this international system by developing its Philippine National REDD+ system (PNRPS). The PNRPS has set a ten-year horizon (2010-2020), with the third and last phase on engagement and receiving results-based payments. However, this is conditioned upon the country’s completion of the Warsaw Framework on REDD+,²⁹ which sets out basic elements needed to be put in place before a country receives results-based payment.

The REDD+ framework was created under the United Nations Framework Convention on Climate Change (UNFCCC) and applies to all types of forests, including mangroves, if they are recognized in a country’s definition of a “forest.”

²⁸ An Act Promoting Investments In Low Carbon Economy, Establishing For This Purpose A Carbon Emission Pricing Framework And Implementation Mechanism To Achieve Low Carbon And Resilient Economic Development

²⁹ These are seven decisions on having National Forest Monitoring Systems (NFMS); Forest Reference Emission Levels (FRELs); Measurement, Reporting and Verification (MRV) and a Safeguard information System, a system of reporting how safeguards are being addressed by REDD+ implementation.

The NCCAP is mandated to be included in government plans and programs, at all levels, with the lowest plans at the municipality and city level called Local Climate Change Adaptation Plan (LCCAP) and linked to the Comprehensive Development Plans. In addition, the Philippine Master Plan for Climate Resilient Forestry Development (PMPCRFD)³⁰ has incorporated REDD-Plus implementation as a key strategy and enumerated major steps for adoption to implement it in the Philippines. Finally, the PNRPS was piloted and demonstrated in 15 sites under four projects across the whole country, with the aim to raise carbon MRV from the level of project-based to sub-national and national phases in a nested approach, and to operationalize the institutional structure for the national MRV scheme.³¹

By 2013 at COP 19 in Warsaw, a series of decisions brought the UNFCCC rules on REDD+ to a level of completeness sufficient to guide implementation. Based on the WFR, a functional REDD+ system must have the following components, such as a 1) national REDD+ strategy or action plan, 2) a national forest reference level (FREL) as the basis for accounting the results of REDD+ activities, 3) a national forest monitoring system (NFMS), and 4) a system on reporting on how all the REDD+ safeguards are being addressed and respected throughout the implementation of the activities.

DENR has completed REDD+ Action Plan, the National Forest Monitoring System (NFMS) Policy, and submitted its modified FREL/FRL in 2023. The remaining challenge is the development of the NFMS and SIS. In addition the FREL must be prepared every 2 years for the submission of the Biennial Update Report in accordance with the requirements of the UNFCCC. The Philippines submitted its most recent FREL in December 2022 for the years 2010-2018 with the next submission due in 2025.

3.1 Adoption of the National REDD+ Action Plan

In 2021, DENR developed a draft REDD+ Action Plan and action items were decided to resolve to some of these barriers for REDD+, and to be eligible for RBPs³² Among these key actions points that DENR needs to decide on are foundational elements such as the This should include designation of FMB as the UNFCCC Focal on REDD+ , for submission by the CCC. to the UNFCCC

3.2 Decision scope and scale of REDD+

³⁰ Department of Environment and Natural Resources (DENR). (2016b). Philippine Climate Plan for Climate Resilient Forestry Development. Retrieved from http://forestry.denr.gov.ph/pdf/mp/PMPCRFD_2015_plus_Annexes.pdf.

³¹ National REDD+ action Plan, 2021

³² The following are the priority actions for REDD+ :

- 1) Deciding on the Scope and Scale of REDD+
- 2) Managing/Administering REDD+ (Establishing REDD+ Implementation and Coordination)
- 3) Mainstreaming REDD+ (Forest Governance and Land Use)
- 4) Legal and Regulatory Measures.
- 5) Establishing the National Forest Emission Level and/or Forest Reference Level
- 6) Approach to Forest Monitoring System and Measuring, Reporting, and Verification
- 7) Operationalizing the Safeguards Information System
- 8) Financing REDD+ and Benefit-sharing
- 9) Capacity-building and Communication and
- 10) Research and Development.

REDD+ crediting model and the role of government (i.e. as a regulator or REDD+ program manager). The scope of REDD+ will be formalized in a policy or technical instrument issued by the DENR-FMB. Clarity on the inclusion of blue carbon from mangrove forests may be included. As for the scale, the UNFCCC allows for a subnational FREL/FRL as an interim measure but should still be moving to a national system

These questions can be better answered if the REDD+ crediting model of the Philippines is made clear (i.e., centralized, centralized-nested, decentralized-nested, or decentralized) to better define the role of government at what scale and scope of activities is appropriate for the Philippines.

The implementation of the PNRPS as the national REDD+ program is not linked to the voluntary carbon projects, and credits issued under private carbon standards such as Verra and Gold are separate and independent from the results based payments. The proposed CAVCS Enhanced registry can serve as a system of monitoring and tracking reporting results

3.3 Establish / Operationalize Forest Monitoring System and Measuring, reporting and verification

National forest monitoring is a comprehensive process that includes the assessment, evaluation, interpretation and reporting of data and the derivation of information that allow for the monitoring of change and trends over time (FAO, 2021). This repeated inventories which includes both remote- sensing and ground data. NFMS comprises the people, institutions, and resources to implement an NFMS at country level in collaboration with other stakeholders. An NFMS is led by a governing body responsible for its conceptualization, planning and execution within a clear and well-defined mandate, based on the principles and elements of the voluntary guidelines (FAO, 2017d). When establishing an NFMS, countries should, where possible, build on existing systems to make effective use of resources.

To estimate the overall GHG emissions of the forestry sector, it is necessary to combine information from a ground-based national forest inventory (NFI) or forest resources assessment (FRA) to produce transparent and reliable emission factors and activity data (i.e., deforestation or afforestation) for the FREL/FRL. These can be gathered from a NFMS which should provide: 1) monitoring and 2) MRV data.

The NFMS provides MRV for REDD+, it assesses emissions and (once the country has defined a forest reference emission level) emission reductions. The DAO on FMS -s states that institutional arrangements are needed to implement REDD+, but it does not clearly define and specify the roles of divisions or sections involved in each element of the NFMS to ensure efficient reporting and accountability

DENR-FMB released “Technical Bulletin No. 34 – Revised Procedures in the Conduct of Forest Resources Assessment (2021)” on 29 April 2021 to provide revised procedures that takes into consideration carbon assessment needs to support REDD+ initiatives in the Philippines. The “Forest Resources Assessment: Revised Field Manual” replaces the “National Forest Inventory Philippines Field Manual (2002)”.

Targets

- Improve the NFMS and Piloting NFMS in REDD+ areas
- Operational system design or structure with clear & coordinated responsible entities and their functions is put into policy and guidelines
- NFMS has been institutionalized and the process of cascaded to all DENR offices and other partners is starting

3.4 Operationalize Safeguard Information System (SIS)

UNFCCC parties agreed on a set of safeguards to be respected and promoted in implementing REDD+. The Cancun safeguards are intended to ensure that activities meet the objectives of mitigating climate change, while also generating non-carbon benefits for the environment and local stakeholders. Each country must develop a system for providing information on how the safeguards are being addressed and respected throughout the implementation of REDD-plus activities. Once the implementation of REDD+ activities has started, countries should periodically submit a summary of information on how the safeguards are being/have been addressed and respected throughout the implementation. The summary of information should include which REDD+ activities are included in the summary and are covered by the safeguards; description of each safeguard in accordance with national circumstances; description of existing relevant systems and processes; information on how each safeguard has been addressed and respected; improved information provided over time. Developing country Parties are 'encouraged' to provide any other relevant information on the safeguards.

The SIS should be built upon existing system to provide transparent and consistent information that is accessible by all relevant stakeholders and updated regularly. It should be country-driven, being implemented at the national level, and flexible to allow for improvements over time.

A prototype for the Safeguards Information System was developed in 2016. The FMB plans to develop the design and framework of the system and to draft a policy on the institutionalization said system.

Targets

- SIS prototype and link the system to the safeguard checklist with means of verification is adopted
- SIS launched and utilized in the priority sites.
- Summary of Information on How Safeguards for REDD+ Would Be Addressed and Respected submitted to the UNFCCC

IV. Functional coordination within the DENR and across government agencies

The existing institutional responsibilities are laid down in the following laws:

The Climate Change Act of 2009³³, as amended³⁴, with the aim to integrate climate change

into policy formulation, development plans, poverty reduction strategies and other development tools and techniques by all agencies and instrumentalities of the government, created the Climate Change Commission (CCC) as the lead policy-making body on climate change. Through the law, the National Framework Strategy for Climate Change (NFSCC) was established to provide a policy framework that emphasizes the Philippines' approach to climate change which focuses on adaptation as the anchor strategy, with mitigation being pursued as support to adaptation efforts. This approach, which is also highlighted in the National Climate Change Action Plan (NCCAP) 2011-2028³⁵, identifies that the carbon market and REDD+ can provide opportunities for adaptation financing.

Executive Order No. 320, series of 2004³⁶, designates the Department of Environment and Natural Resources (DENR) as the National Authority (NDA) of the CDM. Relatedly, DENR Administrative Order No. 2021-43, series of 2021³⁷, provides the guidelines on the establishment of Carbon Accounting, Verification and Certification System (CAVCS) for forest carbon projects to encourage and support investments in activities on carbon dioxide sequestration and avoid emissions from deforestation and forest degradation.

The Philippine policy response to monitor and track progress of emissions, the Philippine GHG Inventory Management and Reporting System³⁸ (PGHGIMRS) was adopted in 2014. The CCC is mandated by the law as the overall lead to implement the PGHGIMRS, with support from lead agencies for GHG inventories namely: Department of Agriculture (DA) and Philippine Statistics Authority (PSA)³⁹, Department of Energy (DOE)⁴⁰, DENR, and Department of Transportation (DOTr)⁴¹ and the Department of Environment and Natural Resources as lead waste, industrial processes and land-use and forestry sectors.

In 2010, Executive Order 881⁴² authorized the CCC to coordinate existing climate change initiatives, including REDD-plus initiatives and other similar mechanisms. As such, the Commission is the primary body through which to institutionalize the PNRPS policies. The Order further designates the DENR as the operation arm for REDD+ activities, and as manager of REDD+ resources acquired by the government. This provides initial structure for development of REDD+ decision-making but more specific administrative issuance is necessary. The EO also states that "any support from the UN and other international organizations for REDD+ shall be managed and utilized by the DENR"

³³ Republic Act No. 9729, series of 2009: AN ACT MAINSTREAMING CLIMATE CHANGE INTO GOVERNMENT POLICY FORMULATIONS, ESTABLISHING THE FRAMEWORK STRATEGY AND PROGRAM ON CLIMATE CHANGE, CREATING FOR THIS PURPOSE THE CLIMATE CHANGE COMMISSION, AND FOR OTHER PURPOSES. Can be accessed through this [link](#).

³⁴ Republic Act No. 10174, series of 2014: AN ACT ESTABLISHING THE PEOPLE'S SURVIVAL FUND TO PROVIDE LONG-TERM FINANCE STREAMS TO ENABLE THE GOVERNMENT TO EFFECTIVELY ADDRESS THE PROBLEM OF CLIMATE CHANGE, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 9729, OTHERWISE KNOWN AS THE "CLIMATE CHANGE ACT OF 2009", AND FOR OTHER PURPOSES. Can be accessed through this [link](#).

³⁵ Formulated in accordance with Article 13 of the Climate Change Act to outline the long-term program and strategies for climate change adaptation within the national development plan. Can be accessed through this [link](#).

³⁶ Executive Order No. 320: DESIGNATING THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES AS THE NATIONAL AUTHORITY FOR CLEAN DEVELOPMENT MECHANISM. Can be accessed through this [link](#).

³⁷ Can be accessed through this [link](#).

³⁸ Executive Order No. 174, series of 2014: Institutionalizing The Philippine Greenhouse Gas Inventory Management And Reporting System. Can be accessed through this [link](#).

³⁹ Lead agencies for the agriculture sector

⁴⁰ Lead agency for the energy sector

⁴¹ Lead agency for the transport sector

⁴² Office of the President of the Philippines. (2010) *Executive Order No. 881*. Manila: Malacañang Records Office.

and “shall be coordinated with the CCC”.⁴³ While EO 881 designates DENR as the implementing arm of REDD+, there has been no official issuance within DENR that it is designating the FMB as the REDD+ focal point. Within DENR, FMB is the most appropriate agency given its organic mandate on forest and reforestation. An official designation is still needed and thereafter communicated to the UNFCCC.

Given this policy backdrop, outstanding question institutional question are:

- The institutional roles and mechanisms on International Voluntary Carbon Market (CM) Projects, Article 6 projects, REDD+ Results-Based Payments or other mechanisms and future Domestic Carbon Credit System. The latter is under draft House Bill on the “Low Carbon Economy Act of 2023” seeks to establish a domestic carbon credit system and pricing framework.
- The institutional alignment and functional coordination between the Climate Change Commission and the DENR on these carbon mechanisms, in the light of Executive Order 881.
- The institutional alignment and functional coordination and tasking within DENR Bureaus.
- The institutional alignment and functional coordination between the Climate Change Commission and the DENR, NCIP, DILGs and LGUs;
- Levels of engagement of government agencies at national and local level and coordination among themselves, approvals required for project development
- Alignment with Blue Carbon Initiatives led by DENR BMB and the Climate Change Commission with the REDD+ National Action Plan led by the DENR Forest Management Bureau

4.1 Executive Order on Carbon Markets and designation DENR as the Designated National Authority for forest carbon projects

The carbon market mechanisms will likely require new institutional arrangements but built on existing structures and mandates. This roadmap seeks opportunities to strengthen and align existing structures, rather than unnecessarily introduce new bodies and regulations.

The goal will be to streamline processes to facilitate project development and performance and avoid bureaucratic red tape.

4.2 Formulate the Implementing Rules and Regulations (IRR) of the Executive Order on Carbon Markets which include roles and responsibilities of LGUs, NCIP and other government agencies

The DENR aims to engage with development partners, private sectors help mobilize resources to implement pilot/demo projects on carbon trading to support policy formulation/enhancement and then project implementation (DENR FASPO). Local authorities such as the (PCSD) signify intent to take the lead for the case of Palawan which can be upscaled for the rest of the country

⁴³ Ibid Section 3.

The Forest Management Bureau is designated as a focal agency for forest carbon projects , which include roles and responsibilities of other DENR offices and alignment with the those of the LGUs, NCIP and other government agencies.

The Biodiversity Management Bureau is designated as a focal agency for blue carbon projects and approving authority for carbon projects within protected areas, the roles and responsibilities of the PAMB, Regional Offices and BMB are identified and process flows with timelines are developed

The official designation shall have support for institutional and individual capacity in terms of setting up operational procedures and mechanisms in carbon market (FASPO). The government agencies shall provide an integrated strategy and approach to forest carbon, considering existing PAMs, policies, etc.

4.3 An inter-agency coordinating body is constituted and term of reference developed.

In forest carbon projects, a strong inter- agency and inter sectoral coordination, communication, and consistency of information to address the drivers of deforestation and degradation many of which lie outside the forestry sector is needed. For each agency to provide clear and accessible guidelines to various stakeholders for engaging in carbon trading especially to LGUs and other local stakeholders

IV.4 Development of Blue Carbon Strategy and Roadmap 2020-2030.

National Blue Carbon Action Partnership is leading the development of roadmap, an Executive Order on Blue Carbon and Conservation.

BMB designated as a focal agency for blue carbon projects, and roles and responsibilities of other DENR offices are identified

4.5 Development of a Carbon Trading Policy in BARMM areas

V. Inclusive stakeholder consultation and engagement

Stakeholder consultation is to meaningfully engage stakeholders and discuss potential environmental, social and economic impacts (both positive contributions and potential risks) that projects may have during the design, planning, implementation and operational stages of the project and to establish an ongoing mechanism for feedback in consultation with stakeholders.

The Philippines has a long and advanced experience with stakeholder engagement and inclusive planning and implementation, it has the most experience on social forestry program in the region and continues to manage forestland resources together with ICCs/IPs, Peoples Organization, the private sector and local government units. One of the challenge identified by project proponents is identifying the rightsholders and stakeholders.

Even prior to the issuance of a number of decisions from the UNFCCC on REDD+, the importance of participation of various stakeholders, especially communities and women, in the full and effective participation in project activities, from project design, implementation, monitoring, assessment have been emphasized under the Philippine National REDD+ Strategy.

Text Box

Stakeholder Engagement under the Independent Carbon Standards

Under the Climate, Community & Biodiversity Standards⁴⁴ now in partnership with the Verified Carbon Standards, the Validation and Verification Body must describe the full process carried out by the project proponent to obtain FPIC and clarify whether the following requirements were met: a) Stakeholders were informed prior to validation about the project design and implementation, including but not limited to the nature, size, pace, reversibility, and scope of the proposed activities. (CCB Standards, v3.0, Sections G3.4 and G5.2; VCS Standard, v3.7, Section 3.17.2). Stakeholders had the opportunity to evaluate impacts, raise concerns about potential negative impacts, and provide input on the project design sufficiently in advance of any authorization or commencement of activities to allow stakeholders to respond to the proposed design or action. (CCB Standards, v3.0, Sections G3.4 and G5.2; VCS Standard, v3.7, Section 3.17.2). Moreover, the VVB must show the project validated that prior consent was obtained despite conservation activities in the project areas beginning prior to the initial FPIC meeting. The Project must provide evidence that in consultation was done in a timely and culturally appropriate manner, including language and gender sensitivity, and in a neutral and accessible setting.

On conflicts and dispute, the VVB must clarify whether it observed evidence of ongoing conflicts or disputes in the project zone. If it did, the VVB must provide an assessment of the conflicts or disputes to confirm whether: a) The project has properly identified all ongoing unresolved disputes and those which have been resolved in the past 10 years. b) The project will not prejudice the outcome of any ongoing unresolved disputes. c) The project has taken the measures needed to support the resolution of conflicts and disputes. The VVB must describe at least the following details of all ongoing conflicts or disputes: a) The parties involved; b) The location of lands, territories and/or resources involved. c) The impacts of the dispute on the project and the implementation of project activities. d) The involvement of the project and/or project personnel in the dispute or dispute resolution. e) How the implementation of the project will not exacerbate the conflict or influence the outcome of an unresolved dispute. Finally the Project has to provide adequate and accurate evidence to assess the project's compliance with appropriate law such as protected areas and consultation requirements under national laws

Protected areas are managed by the DENR -BMB through the Protected Area Management Board, a multisectoral body composed of local stakeholders, including representatives from local governments, CSOs, private sector, indigenous peoples, and local communities. Often securing approval from the PAMB requires a series of consultation process with the relevant stakeholders.

⁴⁴ Verra Findings Report, *Southern Cardamom REDD+ Project in Cambodia. The project was suspended by Verra based on human rights complaints including violations of FPIC. These are program rules on stakeholder engagement that the validation/verification body (VVB) must address in accordance with Section 6 of the VCS Registration and Issuance Process and the CCB Program Rules.*

If there are individuals, communities, or groups with legal access and resource use rights in the forest area aside from the tenure holder, it is imperative to engage them in the process and secure their consent and agreement. Consultations, benefit-sharing arrangements, and formal legal agreements that outline the terms of access, use, and management of the area may be done to respond to their rights.

Carbon projects are also required to have a Grievance Mechanism to ensure that grievances from affected communities and individuals are addressed in a timely manner, free of cost, without retaliation and reprisal for submitting a grievance, and with the option to request confidentiality.

5.1 Guidance on consultation requirements from project design to establishing grievance mechanisms

DENR as the designated national authority may provide guidance on the requirement of stakeholder consultations consistent with existing laws governing protected areas, ancestral domains and local governments. Stakeholder engagement also includes power to contribute, and have effective mechanisms to provide input, feedback and to raise concerns throughout the project life.

The policy guidance can identify stakeholders to be included, when stakeholder engagement should commence in the design, planning and implementation stages, minimum group of stakeholders to be consulted, the evidence required to confirm that stakeholder engagement has been compiled and the information to be made available to stakeholders, amongst others.

What are documents required to show evidence of stakeholder engagement? This can be issued by the DENR and may vary depending on the project location, stakeholders involved, and the legal and tenurial instruments available in that area..

5.2 FPIC Project category of carbon projects improved to facilitate investments

In cases where project areas are located within the ancestral domains of indigenous communities, securing their Free, Prior, and Informed Consent (FPIC) is mandatory. The ICCs/IPs shall participate fully in the decision-making processes primarily through their indigenous socio-political structures. The National Commission on Indigenous Peoples (NCIP) will facilitate the FPIC process, which involves a series of consultations, meetings, and information dissemination activities with the IP communities. The IP communities must be provided with complete and accurate information about the project's nature, scope, potential impacts (positive and negative), and proposed benefit-sharing arrangements during the consultations. The IP communities should be given ample time to discuss and deliberate among themselves and to seek advice from experts or advisers. The IP communities can give or withhold their consent to the project through a resolution or customary decision-making process. If consent is given, the specific terms, conditions, and benefit-sharing arrangements should be documented in a Memorandum of Agreement (MOA) or Ancestral Domain Sustainable Development and Protection Plan (ADSDPP).

The project category for carbon trading under Revised 2012 Free and Prior Informed Consent (FPIC) Guidelines or NCIP Administrative Order 3, Series of 2012 is Extractive Intrusive Large Scale Activities (EILSA) enumerated under Section 19, NCIP AO 3. At present, existing carbon projects within ancestral domain adopt different project categories and different FPIC processes which leads to confusion, delays, and lack of transparency to the community and NCIP.

Policy Targets

- **Enhanced FPIC guidelines on carbon trading with operational steps**
- **NCIP Guidance on benefit sharing for carbon projects**

5.3 Institutional capacity assessment vis-a-vis agencies' roles and responsibilities in carbon trading.

Once roles and responsibilities are identified within the DENR, the Climate Change Commission, and other agencies, an institutional capacity assessment is essential to evaluate competencies and pinpoint capacity gaps.

Aside from DENR and the Climate Change Commission, NCIP is a key institution that must be capacitated on carbon trading. Majority of current carbon projects in the forestry sector are within ancestral domains. As of March 2024⁴⁵, there are 15,862,879.4937 hectares of ancestral domain, both with titles and claim, majority are terrestrial forests and significant portion are mangrove forests, where potential of green and blue carbon areas can be explored.

V.4 Capacity building program for DENR Field Offices and other relevant government agencies

- *Trained DENR Field Offices support and monitor the implementation of carbon projects*
- *Train personnel on handling the systems or hire personnel specific for maintaining the NFMS*
- *DILG (LGUs) or CENRO involvement for sub-national level data*
- *Partner with the academe for continuing research on technological advancement for land cover change detection*

5.5 Develop Communications, Education and Public Awareness (CEPA) on the roadmap and carbon trading policies and programs

The Philippines recognizes the importance of traditional knowledge, education and public awareness, and enhancement of climate actions through measures embodied in Article 12 of the Paris Agreement.

⁴⁵ Data from NCIP Ancestral Domain Office

PA text—"Parties shall cooperate in taking measures, as appropriate, to enhance climate change education, training, public awareness, public participation and public access to information, recognizing the importance of these steps with respect to enhancing actions under this Agreement"

VI. Sustained financing & Equitable benefit sharing (Ken)

VII. Monitoring Forest Carbon Projects

7.1 Develop the Carbon Registry (or carbon database?)

A carbon registry key functions are to validate and issue carbon credits and maintain records of ownership and retirement, when used. This CAVCS Carbon registry will not issue validate, verify and issue carbon credits. Its main function is to maintain records of project proponents and projects, carbon standards used and carbon credits generated.

The envisioned procedure is for project proponents to submit to the CAVCS information after they have registered and validated their project in a Carbon Crediting Program such as Verra or Gold Standard.

For discussion and actions

- Design the reporting requirements or contents of the CAVCS Carbon Registry
- Consider the CAVCS Carbon Registry 2.0 linked to other processes in the FMB and other offices on securing documents/ clearance required for investments.
- Development of the Registry Framework elements, must include processes within the Ancestral Domain Office of the NCIP; BMB on blue carbon projects (if screened already under CAVCS Registry, what steps can be dispensed with)

7.2 Establish National Information Hub by DENR (can be taken out)

The National Information Hub by DENR will allow sharing and monitoring of important data to increase transparency and communication across agencies. The REDD+ Action plan envisioned that by 2026, an Expanded National REDD+ Information Hub (resource use permitting and approvals, FLUPs, special use permits) DENR, FMB, BMB is set up to support REDD+ implementation. This can be expanded further to include carbon projects under voluntary carbon markets and bilateral agreements.

Include provision for transparency and accountability at FMB and across DENR, access by the FMB to records from other government agencies (BMB, NCIP, PCSD and LGUs)

VIII. Updated technology and information systems for monitoring

There are many data that will be generated in projects for VCMs or REDD+ RBPS, this data may be used by DENR and other government agencies to improve database, national maps, inventories, or national or international reporting (SDGs, NDC, BUR, National Communications).

Amongst the data will be activity data, carbon and biodiversity (flora and fauna) inventories. There are also assessments for socio-cultural and scientific, the latter are Forest resources assessment, and HCV assessments.

The data shared may feed into the FREL/FRL, NFMS, SLMS, Action Plans

Technology and information systems are important in ensuring integrity, quality and transparency in data used in project activities and carbon accounting.

In the last years, the FMB has issued policies relating to technology and information systems to monitor land use and land changes. These include the DENR DAO 2021-23 (NFMS) and DENR DAO 2021-43 (CAVCS).

Accessing and using the most recent satellite imagery available for land cover change analyses and for DENR to maximize deployment of drone mapping for higher resolution maps and more accurate land cover detection. In addition Machine learning and AI use to be used to enhance the capacity to measure, report, and verify carbon emissions/reductions.

Utilize crowdsourcing for gathering and validating data on forest cover

The FMB, CCS, DENR Geospatial Database Office, and PhilSA work together to have high accuracy data on annual forest cover and land use change detection

Comply with highest possible (international) MRV standards in the context of national capacities and circumstances; Adherence to robust standards and principles (DENR)

Other recommendations on what needs to be done:

- *Establish a national guide/standard applicable to all carbon projects in the Philippines (how to measure, how to access, etc.) (PCSD)*
- *Device system that will promote and ensure transparency in all levels in carbon trading (PCSD)*
- *Device an evaluation and monitoring scheme for carbon trading transaction/projects (PCSD)*
- *Ensure regular reporting of the country's accomplishments/progress or carbon trading through coming up with Registry (FASPO)*
- *Come up with parameters and indicators for tracking carbon offsets (FASPO)*

8.1 Improved technology use in MRV and forest monitoring

Improve and mainstream the use of remote sensing/radar to improve MRV and forest monitoring

Provision of relevant research that can be used in baselining and standard protocol on forest carbon accounting and valuation.

- *To provide baseline assessment data on maps for inventory of forest cover, monitoring resources, and validation of actual carbon emission and reduction of an initiative (PhilSA, DENR)*
- *To support baselining and MRV to provision FOLU sector GHG data (CCC)*
- *Provide nationwide quality spatial data (land covers and coastal resources map/data), including provincial level (NAMRIA)*

- *To provide information on land cover change (NAMRIA)*
- *To provide technical support on site-specific evaluation and assessment of carbon resources; can be replicated by national agencies (PCSD)*

8.2 Establishment of jurisdictional data in preparation for dynamic baselines; FRL updated to sub-national level

8.3 Establish linkages among the CAVCs Carbon Registry , Forest Information System and the National Forest Monitoring System (NFMS)

CAVCS Carbon Registry 2.0 linked with the Forest Information System under DAO 2021-32 which is the web portal that contain all data gathered for the National Forest Monitoring System.

8.4 Inclusion of mitigation actions in forestry sector in the Biennial Update Report (BUR) and National Communications to the UNFCCC

Mitigation actions in forestry and other relevant information that is captured in the registry and information systems such as the CAVCs Carbon Registry 2.0, Forest Information System under, National Forest Monitoring System, Safeguards Information System and National Information Hub can be summarized by the DENR for submission to the Climate Change Commission. This information shall be included in the Biennial Update Report (BUR) and National Communications to the UNFCCC.

GLOSSARY

REFERENCES