



CARBON OFFSETTING AND REDD+ DECONSTRUCTED

Paying poorer countries to protect their forests seems like a good idea for both the climate and sustainable development. However, the reality of reducing emissions from deforestation and degradation (REDD+) is often far more complex and difficult to navigate. This briefing unpacks some of the key issues with market-based REDD+, the alternatives that can unlock funding for forests at scale and how RFUK works on this issue.

1. FOREST CARBON OFFSETTING

Forest carbon offsetting has long been controversial. Its advocates see it as a way of compensating for residual emissions as the global north transitions to a low-carbon economy, while also channelling much needed finance for forests. Its critics warn it is a form of greenwashing that serves to delay urgent climate action, dispossess local communities and reduce forests to only their carbon value. At the same time, huge uncertainties in the way that carbon is measured can lead to the production of 'hot air' credits and even fraud.

In recent years the deepening climate crisis, 'net-zero' commitments and corporate 'carbon neutral' claims have fuelled the growth of forest carbon markets. Encouraged by extravagant claims about the climate mitigation potential of REDD+ and other so-called nature-based solutions, demand for land and carbon rights in tropical forests has surged.

2. CORE ISSUES WITH REDD+

Reducing emissions from deforestation and forest degradation is something that most people agree is desirable and necessary. However, there has been little agreement on how to implement and reward REDD+ in an effective and equitable manner. Some of the key challenges include:

REDD+ in the carbon market: although some proponents have argued that REDD+ is not inherently a market-based concept, the majority of REDD+ projects have been developed to generate carbon credits or offsets, mostly through commercial markets. Observers see fundamental problems with this, notably the commodification of nature involved and the potential for effective ownership of forest lands (or at least the 'assets' they contain) to be alienated to distant owners, financiers and markets. As an offsetting mechanism, it ultimately allows fossil fuel production and usage to continue, thus perpetuating the carbon-dependent economy that has caused climate change.

Unreliability of funding: as the UN rightly recognised, financing for forests needs to be predictable and equitable to be effective. However, there are signs that the combination of market-based REDD+ projects and national REDD+ schemes within the UN Framework could result in a major and long-lasting price crisis for forest carbon offsets. For example, the price of voluntary carbon crashed to below USD2 per tonne in 2022 due to an oversupply of credits and media revelations about project over-crediting and widespread failure to prevent deforestation.

Even as pro-carbon trading conservation organisations continue to emphasise the need for much higher carbon prices to save forests, the logic of the markets will likely prevail; a typical boom and bust commodity pattern of high demand and prices, leading to oversupply, continued heavily discounted credit prices and the failure of projects.

Impermanence: REDD+ relies on carbon storage in trees and other forest organisms and soils, which is inherently impermanent. Additional carbon, either retained in conserved forests or stored in newly planted trees, can easily (re)enter the atmosphere if the forest catches fire (particularly likely in an ever-warming climate) or if the forest is caused to degrade (through commercial logging, for example). If this area has been used to 'offset' what are effectively permanent fossil fuel additions of carbon to the atmosphere, then the result is a net increase in atmospheric carbon.

Additionality, baselines, leakage: the fate of forests, especially in poor countries, is determined by a mass of complex factors, including development and economic policies, commodity prices and speculation, demographics, infrastructure, conflicts and climate change itself. This makes the determination of additionality and baselines for REDD+ projects extremely unreliable: did the project really introduce something that would not have happened anyway? What would have happened without the project (the baseline)?

These uncertainties, along with lax methodologies and inadequate auditor scrutiny, make it very easy for project developers to inflate baselines to maximise the reported mitigation impact. So, for example, using carefully chosen 'reference areas' and 'reference periods' (places and historical times used as a comparison to show what might happen in the project area in the future), project developers can create a story of a threat of very high likely deforestation rates.

The difference between those (inflated) theoretical rates and what actually happens is what determines the volume of credits claimed. Even if actual deforestation in the project area increases significantly, so long as it is still below the even higher, inflated 'baseline' then the project will still generate credits. Similar problems arise when considering whether any given project definitively stops a given amount of deforestation occurring or simply shifts it elsewhere (leakage).

Jurisdictional REDD

Some have argued that jurisdictional REDD – that is crediting at subnational or national levels – can overcome problems such as inflated baselines, leakage and over-crediting that have consistently dogged voluntary offset projects. It is claimed that jurisdictional REDD+ baselines are more credible as they are more clearly linked to official policy and are determined on a regionwide basis rather than just locally.

However, this risks creating non-meaningful credits at a much higher rate. For example, it may create new baseline problems because of variations across very large areas. And just because a project is bigger, it does not resolve the underlying issue that project developers have an interest in inflating baselines. Whilst there might be a better link to official policies, this in itself can be a problem: policies change according to the whims of governments. This means that what might be true when a baseline is formulated might not be true five years later.

Places the burden on those least responsible for climate change: REDD+ projects often target the subsistence farming activities of local communities, where the opportunity costs (that is, the cost of reducing forest-harming activities) are deemed to be lower than stopping industrial developments. This can divert attention from the major drivers of deforestation such as agribusiness, infrastructure development and of course overconsumption in the global north.

'Nature Positive' and Biodiversity Offsets

Driven in large part by the conservation industry, numerous initiatives have sought to broaden the valuation of forest and other ecosystems from just carbon storage. This has gone far beyond simply demonstrating the theoretical economic value of ecosystem services as an argument for protecting them; financial instruments are being created which specifically seek to commodify nature and package it for trade, and these are gaining traction in international conservation policy.

However, the difficulties of such markets are likely to be even greater than for carbon. One of the key differences between biodiversity and carbon markets is that for the latter, there is a readily identifiable unit of trade – a ton of carbon dioxide or equivalent – whereas for biodiversity there is not and cannot be a single unit. The 'asset' which is being traded is, by its very nature, diverse. Ecosystems can and do vary in content, structure and dynamics across very short distances and temporally. Hence any form of 'equivalence' between, say, one ecosystem being lost or destroyed, and another being saved or created elsewhere, can be extremely difficult to establish.

Indigenous Peoples and local communities – land tenure, carbon ownership, consent and benefits: the relationship between existing forest occupants, carbon, corporations and the state represent an interlocking and complex set of issues which has proven extremely challenging for REDD+. To date, very few countries have a clear and equitable legal regime for determining the rights to ownership of carbon stored in natural forests. Often this is assumed to coincide with 'ownership' of the forest as a whole. However, this itself is not clear across vast areas, such as where traditional occupation and usage rights have long prevailed but are not formally recognised.



Such problems have serious implications for equity of 'benefit sharing'. They also can incentivise grabbing of forest land (particularly from those with weak or contested tenure) by powerful actors for financial gain. 'Consent' to REDD+ projects has frequently been peremptory at best and understanding of them by local communities often almost entirely lacking, even numerous years after projects have been underway. Unaware of their rights and obligations, local communities have found themselves victims of naked exploitation and manipulation.

The extremely technical nature of REDD+ means it has largely been the preserve of international consultants, NGOs and companies, and frequently such programmes are devoid of local and national ownership. The very high transaction costs of establishing and monitoring REDD+ projects means that most benefits accrue with these intermediaries and rarely filter down to the field level, particularly so when carbon prices are so low.

3. ALTERNATIVES TO CARBON AND BIODIVERSITY OFFSETS

Considering the above and other issues there is very little evidence that REDD+, in its current form, has led to meaningful reductions in deforestation and degradation, much less of global carbon emissions, or that it has significantly contributed to the development of forest peoples.

There is clearly a need for a 'predictable' kind of financing to assist in the protection of forests in poorer countries and to achieve true REDD+, which goes beyond carbon offsets and credit generation. Most urgently, a global framework for climate funding using non-market mechanisms needs to be completed and advanced under Article 6.8 of the Paris Agreement.

There is a wide array of possibilities for non-market funding that could be included within the scope of Article 6.8. Some of these have long been advocated, including debt relief for poor countries and global levies on fossil fuel extraction, international air travel and speculative financial transactions. Some forms of refined payment-for-performance mechanisms could also be appropriate for financing forest protection, though these would need to avoid the past mistakes. Corporate payments recognising historical responsibility for emissions, but delinked from carbon crediting, could perhaps also be considered.

In terms of what non-market funding and policy actions should actually support, this includes enhanced support to Indigenous and other frontline communities, particularly in recognising and strengthening their land tenure and knowledge systems; better and more participatory land use planning; much greater investment in better forest governance, regulations and civil society; better understanding and tackling the drivers of deforestation; reducing consumption of forest-destroying commodities; and stronger regulation of corporations in the sectors which most affect forests. All the above are low-risk, 'win-win' actions.



4. HOW RFUK WORKS ON THIS ISSUE

- We support communities to [map](#) and [legally claim](#) their territories, providing proof of their occupation and ownership of forests so it is they who can determine what happens in these areas.
- We support local communities to understand, exercise and [monitor](#) their rights and to hold project developers accountable.
- We promote the meaningful [participation of local communities and civil society](#) in national and international processes related to climate and REDD+.
- We carry out research on the underlying drivers of deforestation such as from [industrial logging](#), [extractive industries](#) and associated [infrastructure development](#) so that policy makers can better target their interventions.
- Our participatory tools and approaches honed over 30 years of working with Indigenous and other frontline organisations provide a blueprint for how to support rights-based forest protection.

5. FURTHER READING ON REDD+ AND FOREST FINANCE

- [REDD Minus](#): The Rhetoric and Reality of the Mai Ndombe REDD+ Programme
- [Credits Where They Are Not Due](#): A Critical Analysis of the Major REDD+ Schemes
- [Realising the Pledge](#): How Increased Funding for Forest Communities can Transform Global Climate and Biodiversity Efforts

The Rainforest Foundations: With more than 30 years of on-the-ground experience, RFUK, RFUS and RFN are the foremost global organisations that prioritise social justice and indigenous rights as preconditions for enduring forest protection. With over 100 long-term indigenous and other local partners throughout the Amazon, Congo Basin, Indonesia, Papua New Guinea, and Central America, this partnership provides technical support and tens of millions of dollars annually, directly to local organisations for rights-based forest protection. Together, we support them to protect more than 84 million hectares of tropical rainforest, a forest area roughly the size of Scandinavia.

To learn more about our work on offsetting and REDD+ contact us at info@rainforestuk.org