

## Joint press release from the Oeko-Institut, Stiftung Allianz für Entwicklung und Klima and Environmental Defense Fund

Berlin, 21. February 2024

### Quality Scores for Forestry Carbon Credit Types Reveal a Complex Landscape of Integrity Risks, Uncertainties, and Transparency Issues

The Carbon Credit Quality Initiative (CCQI) released new scores for two types of forestry carbon credits: improved forest management (IFM) and commercial afforestation. Together, these project types comprise approximately ten percent of recent credit issuances in the voluntary carbon market.

The scores released today highlight that these credit types, which are primarily sourced from forestry projects in the United States face significant risks of overstating their emissions impacts and often have limited benefits towards sustainable development. These risks are particularly high for forest projects (IMF) where uncertainty in baselines and underestimation of carbon leakage were identified as key integrity concerns. CCQI also found significant threats to permanence, as some carbon crediting programs do not sufficiently address the risk that emissions benefits could be reversed due to wildfires, harvesting, or other risks. These findings are critical for stakeholders in the voluntary and compliance carbon markets, especially in contexts like California's cap-and-trade program, where over three-quarters of the credits in the program have been awarded to IFM projects.

"Our findings revealed that these forestry credit types are unlikely to deliver the climate and social benefits that we expect of high-integrity carbon credits," said Lambert Schneider, Research Coordinator for International Climate Policy at Oeko-Institut. "It revealed a complex landscape of risks, uncertainties and transparency. Many projects could simply be business-as-usual and the methodologies for quantifying emissions benefits have a whole range of issues. We also found a severe lack of transparency among these types of carbon credits, which is a major problem for ensuring credibility."

"The findings underscore the urgent need to revisit and refine our approaches to forestry crediting. It's essential that carbon credit programs bolster their methodologies for quantifying emissions reductions and removals, enhance their strategies to mitigate non-permanence risks, and explore avenues for genuinely sustainable project impacts. This reassessment is not just about ensuring the integrity of carbon credits; it's about elevating their role in our collective climate action efforts," stated Pedro Martins Barata, AVP, Carbon Markets and Private Sector Decarbonization at Environmental Defense Fund.

Improved forest management (IFM) encompasses a range of activities aimed at enhancing or maintaining carbon storage in forests. This includes a broad

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range of measures, such as avoiding degradation by avoiding the start of or an increase in harvesting, extending rotation periods for longer growth cycles before harvesting, increasing productivity through advanced forest management techniques like thinning and planting new trees, shifting from timber production to conservation-focused management, and employing reduced impact logging practices while harvesting.

Commercial Afforestation, a project type offered by all major carbon crediting programs, typically under the umbrella of afforestation and reforestation activities, involves creating new forests for timber production. It represents a smaller market share compared to IFM projects.

### Key Findings Include:

- Improved forest management (IFM): Risks of non-additionality are less uniform than for other project types. Most activities are likely to be financially attractive to some degree – even without carbon credits. Others, e.g., those that switch from timber production to conservation or extend the rotation age by many years might depend on carbon credits to sustain these changes. Leakage is a key concern for IFM projects that produce timber in the baseline and quantification methodologies do not robustly account for leakage risks. Applying current methodologies likely leads to an overestimation of emissions reductions and removals, with methodologies allowing significant flexibility, leading to unrealistic baseline and carbon stock estimates.
- Commercial Afforestation: Faces more uniform additionality risks as all projects accrue income from timber harvests. Applying methodologies likely also leads to overestimation of emission reductions and removals but to a lesser degree than with IFM.
- Sustainable Development and Non-permanence Risks: Both project types offer limited benefits towards Sustainable Development Goals as activities often include a continuation or intensification of timber harvesting. Exceptions are IFM activities that pursue conservation goals, which support improvements to forest ecosystems. Carbon crediting program rules on non-permanence vary widely, with some requiring commitments for up to 100 years, while others have much shorter periods.

The challenges identified call for a reassessment of current practices in forestry crediting. Carbon credit programs should address risks to credit quality, including strengthening their methodologies for quantifying emissions reductions and removals, improving their approaches to address non-permanence risks, and identifying opportunities for projects to support sustainable development efforts.

With these new scores, CCQI's scoring tool now covers nearly 60% of the voluntary carbon market. CCQI aims to continue scoring more carbon credit types, including project-based avoided deforestation in the next months.

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## New factsheets on forestry carbon credits

Building on the release of our new scores today, CCQI is proud to introduce a set of detailed factsheets on forestry carbon credits. Prepared for the Foundation Development and Climate Alliance, these factsheets distill CCQI's rigorous research into an accessible summary to enhance understanding and facilitate informed decisions within the voluntary carbon market. Focusing on the two types of forestry carbon credits we've scored—IFM and Commercial Afforestation—these documents complement our interactive scoring tool by offering an alternative means to compare different quality criteria.

"These forestry factsheets equip stakeholders with essential insights into IFM and commercial afforestation project types, enabling more informed and strategic decisions," says Peter Renner, Chairman of the Board of Directors of the Foundation Development and Climate Alliance. Dr. Olivia Henke, Executive Board of the Foundation Development and Climate Alliance, added, "Bridging complex research with practical application, our foundation's dedication to science-based communication is embodied in the production of CCQI's forestry factsheets. They stand as a testament to our commitment to enhancing market transparency and integrity, arming the community with the knowledge to precisely assess types of forestry carbon credits."

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[Detailed Evaluations Underlying the Scores by CCQI](#)

[Factsheet "Improved Forest Management"](#)

[Factsheet "Commercial Afforestation"](#)

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## About the Oeko-Institut

Oeko-Institut is a leading independent European research and consultancy institute working for a sustainable future. Founded in 1977, the institute develops principles and strategies for ways in which the vision of sustainable development can be realised globally, nationally and locally. It has offices in three cities in Germany: Freiburg, Darmstadt and Berlin.

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## About CCQI

Founded by Environmental Defense Fund, World Wildlife Fund (WWF-US) and Oeko-Institut, the Carbon Credit Quality Initiative (CCQI) provides transparent information on the quality of carbon credits. CCQI's free Scoring Tool and assessments enable users to better understand what types of carbon credits are more likely to deliver actual emission reductions as well as social and environmental benefits.

<https://carboncreditquality.org> | [LinkedIn](#)

## About Foundation Development and Climate Alliance

The Foundation Development and Climate Alliance is committed to bringing sustainable development and global climate protection together by means of voluntary offsetting. It developed from the eponymous initiative of the German Federal Ministry for Economic Cooperation and Development (BMZ). The Foundation sets out to mobilize additional funds for development cooperation. It raises awareness of the great impact that can be achieved by voluntarily offsetting unavoidable greenhouse gas emissions with high-quality climate protection projects in countries of the Global South. This is because additional, voluntary offsetting contributions that serve both to promote development and to mitigate climate change in countries of the Global South make an important contribution to a sustainable and climate-friendly transformation.

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