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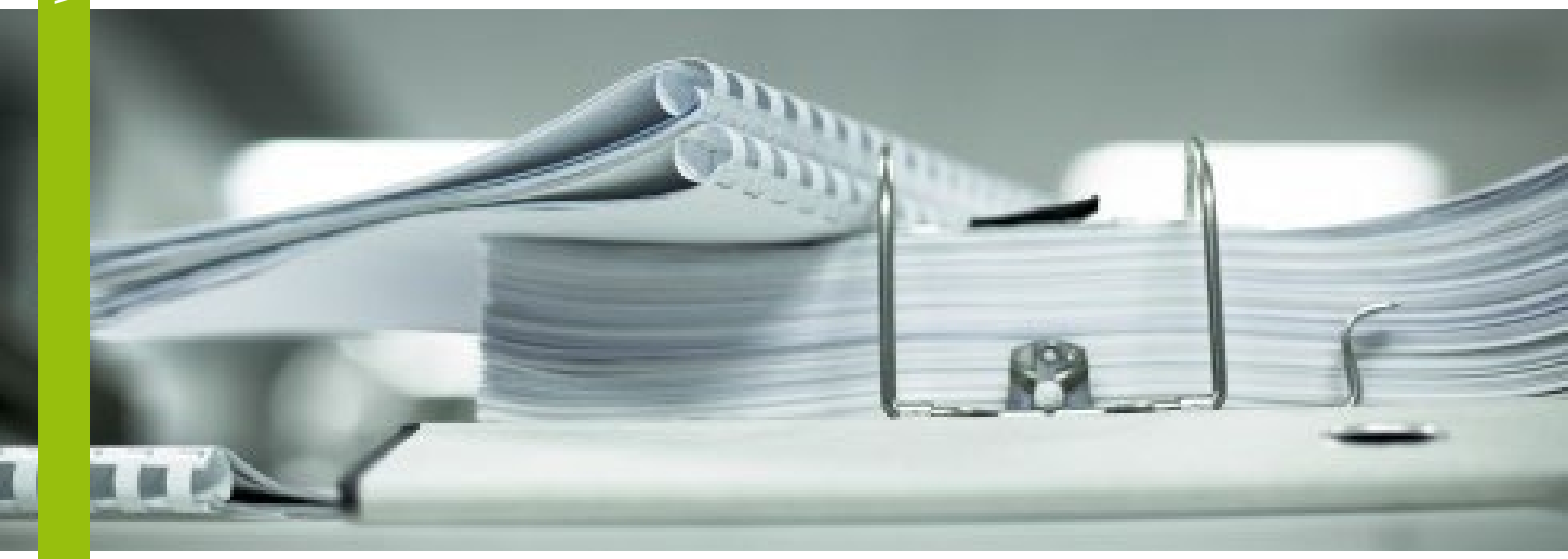

Second assessment of the draft technical specifications for certification under the EU CRCF

Planting of trees

// Hannes Böttcher, Felix Fallasch, Anne Siemons and Lambert Schneider

Summary of key findings and recommendations

This document provides an assessment of the proposed draft for an EU certification methodology for planting of trees (referred to as “draft methodology”), provided on 15 April 2025.

Overall, the draft methodology, in its current form, ignores fundamental principles of carbon crediting and does not comply with the quality criteria established under the CRCF. Applying the methodology would result in the issuance of units that do not represent any actual emission reductions or removals. Key issues identified include:

- **Overall, the draft methodology lacks details on how the requirements shall be operationalised and implemented.** In many sections, requirements are formulated as general principles, but it remains unclear how compliance with these requirements must be demonstrated and will be checked. Further elaboration of the methodology is therefore necessary.
- **Switch to an activity baseline welcome improvement:** In the previous version, the methodology applied a standardised baseline. Planting trees on degraded areas as one eligible activity under the methodology may also happen for reasons other than the incentives from CRCF units. Using standardised baselines in this case is associated with high over-crediting risks. The new version switches to an activity-specific baseline. This is a welcome improvement.
- **Unclear approach for determining activity-specific baselines**: The methodology is unclear on the approach for quantifying the activity-specific baseline for quantifying the temporary net carbon removal benefit from newly planted trees (section 2.3.1). The draft methodology states that an activity-specific baseline equal to zero shall apply. At the same

time it is stated that the reference period to establish the baseline shall bet at least five years, consisting of the years immediately preceding the start of the activity period, or, for activities started after 1st January 2023 of the years immediately preceding the implementation of the activity. The carbon stock at the beginning of the activity period shall be determined using one of the quantification approaches for above-and below-ground biomass and the baseline shall be based on the counterfactual change in carbon stock that would occur under previous land management practices in the absence of the activity (p. 23). The latter provisions seem inconsistent with the use of a baseline of zero. It is important and established best practice in carbon crediting that the baseline reflects that some degree of afforestation or natural succession may occur in the baseline scenario (e.g. by using a control group approaches). This is important to account for uncertainties and variation in climate stocks due to climate change impacts and weather conditions. Additionally, data gained via monitoring of control sites can be used to improve GHG inventory reporting over time.

- **No attribution of units incentivised by public funding:** The eligible mitigation activities may also be funded through public funding. If mitigation activities receive both public subsidies and CRCF units, this could artificially lower CRCF unit prices and implicitly subsidise continued fossil fuel use by the buyers of the units. The methodology should either exclude mitigation activities that receive public funding or proportionally attribute the emission reductions to the financial support provided.
- **Expected overestimation of removals due to inclusion of biomass on the site before start of activity**: All removals, including from an existing biomass stock covering at maximum 10% of the area, are accounted for. This can lead to overestimation of removals, especially in the beginning of the monitoring period. Biomass stocks that existed before the start of the activity should not be counted as removals achieved through the eligible activity.
- **Leakage effects expected but currently not accounted for**: Compared to an earlier version of the methodology that constrained eligible activities to tree planting on unused land, the scope of eligible activities in the current draft methodology includes planting of trees on cropland, grassland, and settlements. This can lead to very large leakage effects, including from indirect land use change (ILUC) due to the shifting of agricultural production to other lands, which could even exceed the removals achieved through planting trees. The draft methodology does not include any provisions to account for such leakage. This is a severe gap. The draft states that the Commission is currently in the process of investigating the options to address ILUC in the methodology, but no details on accounting for ILUC are currently included. Under the CDM, tree planting activities were only eligible on degraded land as a response to high ILUC risks.
- **High flexibility to choose between different models, methods and approaches is not a robust approach to quantification:** The draft methodology provides different options that operators can chose from to quantify the mitigation impact of tree planting activities (section 2.2). These options include tier 3 models (eligible for quantifying carbon removals in above- and below-ground biomass, carbon removals in soils and soil emission reductions), ground-based measurements (eligible for quantifying carbon removals in above- and below-ground biomass, carbon removals in soils and soil emission reductions), data acquisition through remote sensing (eligible for quantifying carbon removals in above- and below-ground biomass), and tier 1 and tier 2 emission factors (eligible for quantifying carbon removals in soils, soil emission reductions and GHG associated emissions). Experience from improved forest management and avoided deforestation projects in the

voluntary carbon markets have shown that flexibility to choose between different quantification approaches makes methodologies vulnerable to adverse selection as operators will likely apply those models that result in highest emission levels in baseline scenarios. This has led to considerable overestimation of emission reductions.

- **Provisions on accounting for uncertainty of quantification approaches are not appropriate:** The provisions for accounting for uncertainty in section 2.6 lack specification as it is not clear how the uncertainty deduction factor is to be calculated and applied. Additionally, uncertainty regarding the *assumptions* and the tier 3 models (quantification approach 1) do not seem to be accounted for.
- **Long activity periods without updating the baseline can lead to over-issuance of units**: The activity is 30 years according to the draft methodology. No updates to the baseline are foreseen in this time period. This can lead to over-issuance of credits, e.g. if an eligible activity became mandatory in the meantime. Shorter activity periods should be applied and operators should be eligible to apply for multiple renewals of these activity periods provided that the activity meets the requirements of the most current version of the crediting methodology at the time of each application. At each renewal of the activity period, the validity of the original baseline shall be demonstrated, or where invalid, a new baseline scenario shall be determined when renewing the crediting period.
- **Multi-layered exemptions for demonstrating additionality create high risks to register projects that do not need CRCF funding to become viable (section 3)**: There are many exemptions that the methodology provides for project operators to demonstrate additionality of their tree planting activities. Operators must demonstrate that the activity is not legally imposed on them. However any activity remains additional during the entire activity period, even if it became obligatory for the operator under national legislation. An activity period for a tree planting activity shall be 30 years according to the draft methodology. This means that if an activity e.g., becomes legally imposed after 5 years, operators would be entitled to up to 25 years of non-additional carbon farming sequestration units and soil emission reduction units under the methodology. Such an approach creates unfairness and arbitrariness in treating different operators. An operator who did not register an activity with the CRCF before it became obligatory under national legislation would have to bear the full cost to fund the necessary activities for complying with such a law. An operator who did register with the CRCF would be subsidised with up to 25 or more years' worth of CRCF units to fulfil the same legal obligations as the other operator.

  Operators must further demonstrate that the activity is not financially viable without the incentives created by the CRCF. For this they must conduct either a simple cost analysis or an investment comparison analysis. However, under the methodology activities are exempt from conducting these financial viability tests if they already receive state aid or public subsidies. Automatic exemption only applies if public subsidies have a "claw-back" mechanism (i.e. must be repaid once CRCF revenues become available) or do not cover the same aspects as the activity proposed for CRCF funding (e.g., smaller area, different eligible costs, smaller number of practices). For the latter it is however sufficient to demonstrate that incentives through the CRCF create more sustainability co-benefits while the type of practice can be the same. **These multi-layered exceptions create an enabling environment for adverse selection in the type of activities that will apply for registration under the CRCF.** Not having to conduct a financial viability test provides a competitive advantage for activities that already receive public subsidies. This bears substantial risks that CRCF revenues replace public subsidies in already on-going activities instead of incentivising new activities. This will only result in additional climate action if these

subsidies in turn are appropriated to additional tree planting activities. If they are returned to state budgets and appropriated for other purposes, CRCF funding will not lead to any additional tree planting activities.

Finally, the methodology requires that activities must not start before the time of submission of the activity plan to the certification scheme for the certification audit. This would be a very robust rule for ensuring that only those activities will receive CRCF funding that need its incentive effect (prior consideration). The methodology allows however an exemption for any activities that started between 1 January 2023 and 31 December 2027. These "early movers" would be eligible to apply for certification under the CRCF until 2030. Considering that the CRCF regulation only entered into force on 26 December 2024, **this exemption would allow registration of legacy actions that already successfully operated before the CRCF has been adopted.**

Overall, the additionality rules should be further revised and more closely aligned with best practices of existing carbon crediting programmes.

- **References to "onboarding" of existing certification schemes should be deleted from the methodology:** In its additionality provisions, the methodology stipulates that activities carried out under other certification schemes than the CRCF automatically meet the prior consideration requirements discussed in the above bullet (section 3.2.1). However, only units issued after an official recognition of that scheme by the Commission will be eligible for certification. We recommend deleting these provisions from the methodology. There should be a separate delegated act, which will outline the detailed rules for transferring an activity from another certification scheme to the CRCF. These rules should be the same for all project types and there is no need to have such rules included in a methodology for an individual project type. Further, assuming that these activities automatically meet the prior consideration (or incentive effect) provisions of the methodology might be misguided. If the other certification scheme did not require operators to demonstrate that they meet these requirements, this might not be the case.
- **Provisions on storage, monitoring and liability (section 4) are underdeveloped and miss critical provisions:**

  The CRCF Regulation defines that carbon farming sequestration units are temporary and expire at the end of the monitoring period of the relevant activity. However, there are no provisions on the consequences of the expiry of units that were already used. Provisions are needed to clarify that buyers bear the responsibility for replacing temporary units upon their expiry. If the temporary units had been used by a buyer before their expiry, after the expiry the carbon removals associated with these units may not be stored in soils or biomass anymore. This would undermine the environmental integrity of the CRCF because it would lead to higher levels of emissions in the atmosphere than without the use of the mechanism. Alternatively, the methodology should clarify for which limited purposes temporary units may be used, excluding meeting emission reduction obligations by public and private actors.

  Carbon removals and reduced CO_2 emissions achieved through tree planting activities are of temporary nature and can be reversed quickly. As a consequence, the activities need to be continuously maintained in order to ensure a longer-term mitigation benefit. **Incentives to maintain carbon farming activities that enhance carbon removals or reduce emissions from soils and extend the monitoring period as required by recital 13 of the CRCF Regulation are missing in the draft methodology.** Temporary carbon farming sequestration units generated from eligible tree planting activities expire with the

end of the monitoring period (which may terminate 10 years after the end of the activity period at the earliest) according to the draft methodology. If monitoring is continued, the validity of the temporary units is extended for the duration of monitoring. Yet, no further incentives are available to maintain achieved carbon removals beyond the end of the monitoring period. Under the CDM, temporary certificates also expired after a certain time period. Yet, they could be renewed and upon renewal, credits were issued for the cumulative mitigation impact achieved in previous crediting periods. This would be one option to account for efforts to maintain achieved carbon removals that could otherwise be reversed. If such an approach was followed, a maximum time period for renewing the certification period would need to be defined.

Furthermore, **it is not specified for soil emission reduction units whether they are considered permanent or temporary**. Avoided CO_2 emissions from mineral soils are associated with non-permanence risks and can be reversed. **For avoided CO_2 emissions appropriate liability mechanisms are missing and must be added.**

Also, the consequences of no submission of monitoring reports during the monitoring period should be defined in the methodology.

Furthermore, **clarification is needed regarding the provisions on risk assessment** (section 4.1)**.** Provisions should be added to exclude activities from eligibility for which the assessed risk of reversal is very high. Also, the proposed risk assessment does not include an assessment of avoidable risks which should be added. Additionally, operators should be required to undertake measures to mitigate the risk of reversals.

Regarding the implementation of liability (section 4.2), **provisions are missing on how operators will be held liable for replenishing the buffer pool in case of avoidable reversals** (e.g. that no further units will be issued to an operator before the buffer pool has been replenished and that units issued will be cancelled if such replenishment is not implemented).

- **Assumption of zero associated emissions on cropland not appropriate:** The draft methodology states that no increase in GHG associated emissions is expected if the activity takes place on cropland (section 2.5). Therefore, GHG associated emissions for activities on cropland shall be equal to zero. This is not appropriate as tree planting on cropland may also involve an increase in fossil fuel use e.g. for planting, mowing or thinning as well as an increase in fertiliser use (accounting for the eligibility criterion according to which the use of fertiliser is only allowed in areas where nitrogen is a limiting factor for tree growth) which must be accounted for.
- **It remains unclear how fulfilment with sustainability requirements (section 5) will be ensured**: Provisions are lacking on how compliance with safeguard criteria should be ensured and how monitoring of environmental impacts should be implemented. There is no systematic definition of specific sustainability aspects that need to be considered. In addition the methodology lacks a systematic approach to environmental and social safeguards, which would require operators to *identify* potential negative impacts of their activities, make subsequent adjustments to their activities to *avoid* these impacts and adopt environmental and social management plans aiming to *minimise and mitigate* impacts for cases where they cannot be fully avoided. It is unclear how the broad requirements that are listed will be operationalised as there is no standardised process prescribed for monitoring environmental impacts (i.e. an environmental and social impact assessment or similar) nor specific indicators (e.g. for soil biodiversity) to be used. Neither does the methodology include any definition of a process for action to be taken if negative impacts are

identified. According to the draft methodology, the activity plan must include a description of how the activity is aligned with the minimum sustainability requirements and delivers the mandatory co-benefits for the protection and restoration of biodiversity and ecosystems defined in the draft methodology (section 6.1), but this is not further specified. The reference to other EU legislation with relevance for sustainability aspects is also too vague as e.g. the Habitat or Birds Directive have been developed for different purposes and it is not clear how compliance with the requirements therein shall be demonstrated for activities certified under the EU CRCF.

- **Use of non-native species allowed**: The methodology states that used tree species should be local native species. The term "local" is not defined. Moreover, some non-native species adapted to the local soil, climatic and ecological conditions may be used where it is demonstrated that they increase resilience to climate change without defining what "some" means. Further clarification is needed to specify and limit which kind of species are allowed and to which extent non-native species are allowed.
- **Clear differentiation between agroforestry activities and planting of trees required**: The methodology does not clarify how planting of trees on cropland is to be differentiated from agroforestry activities (eligible under the draft methodology on agriculture and agroforestry on mineral soils) to avoid that an activity could seek to obtain CRCF units under both methodologies.

Öko-Institut | Freiburg | Darmstadt | Berlin

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www.oeko.de | info@oeko.de

Contact

Hannes Böttcher | h.boettcher@oeko.de
Anne Siemons | a.siemons@oeko.de
Lambert Schneider | l.schneider@oeko.de

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