

# THE BAR OF EXCELLENCE

Practice Principles for  
Supply-Side Quality  
and Integrity in  
Carbon Markets





## WHY RAISE THE QUALITY AND INTEGRITY OF CARBON MARKET PROJECTS?

Urgently addressing climate change is essential to TNC's global mission. Immediate rapid decarbonization efforts are needed to make achieving our mission possible. In addition, Natural Climate Solutions (NCS) are essential to address climate change globally and meet the goals of the Paris Agreement. Carbon markets are one tool with great potential for scaling up NCS with resultant conservation outcomes and accelerating global climate efforts. Recent analyses indicate potential growth in carbon markets to as high as USD \$50 billion to USD \$1 trillion per year.

At this critical moment when carbon markets are growing and under intense scrutiny, their future and role in scaling NCS hinges upon trust. Carbon buyers must trust that a fundamentally intangible product – a carbon credit – is real, and each credit produced can fully mitigate one tonne of carbon pollution. Likewise, civil society and stakeholders must trust that carbon markets avoid greenwashing and accelerate, rather than delay, climate progress. Evolving best practices and new science must continually be integrated into carbon standards and our projects to fulfill our organizational mission and avoid unacceptable reputational and financial risk. For this reason, during the last few years, TNC has been designing and improving our practices for TNC's supply-side participation in carbon markets, internally known as the **Bar of Excellence (BoE).**

## WHAT IS THE BAR OF EXCELLENCE?

The Bar of Excellence (BoE) is a set of internal practices comprised of principles and criteria to assure the high quality and integrity of TNC-related carbon projects. Each principle is the fundamental objective of a given element in carbon accounting, and the criteria are case-specific conditions that need to be met to adhere to a given principle. These principles and criteria are relevant to the supply side of TNC's carbon market participation – demand side requirements for responsible use of carbon credits are not within the scope of the BoE.

**The BoE aims to set the minimal threshold for TNC projects to ensure that all carbon projects are consistent with our mission.**

TNC works across carbon standards that collectively add up to several thousand pages of requirements. Our intent is not to replace these requirements. Rather, the BoE aims to set the minimal threshold for TNC projects to ensure that all carbon projects are consistent with our mission. Therefore, the criteria may be more restrictive than a standard or methodology's requirements. A single document cannot guarantee quality across the full diversity of nature-based carbon projects.



TNC assures quality in our carbon projects through, i) developing most of its carbon projects through experts on its global carbon markets team via the Nature Climate Solutions (NCS) Accelerator program, ii) independent internal reviews by TNC's Carbon Project Review Committee (CPRC), and iii) the deep expertise of our field programs in nearly 80 countries. The BoE is a set of principles and criteria to guide these multiple internal efforts and is not a definition of high quality that can be used in isolation.

Our focus on quality also informs our engagement with ongoing global initiatives focused on redefining quality in carbon markets to build trust and enable scale. For example, the Integrity Council for the Voluntary Carbon Market (ICVCM) is in the process of approving standards and credit-labeling for their Core Carbon Principles (CCP). As quality and integrity are a direction of travel and not a static destination, the BoE will continue to evolve with the market until the criteria become integrated and common practice in the VCM.

### WHO NEEDS TO APPLY THE BoE?

All TNC Business Units (BUs) must use the BoE to guide project design as a developer or proponent responsible for the climate benefit.

When TNC plays a material role in a project, external collaborators must also adhere to the BoE and follow the process below to ensure alignment (see Box 1). TNC will provide support to external collaborators to ensure compliance with the BoE through assistance from the Global Carbon Markets team.

### HOW IS THE BoE USED?

The BoE is applicable to all NCS projects that generate verified carbon credits, regardless of the chosen standard or methodology. To ensure alignment with the BoE, all projects where TNC is a developer, proponent, or plays

a material role must be reviewed by the Carbon Project Review Committee (CPRC). The CPRC is a committee of experts from across TNC that meets to assess each project and provide strategic advice to help developers implement high quality carbon projects with real and credible carbon benefits.

#### BOX 1: SOME SCENARIOS IN WHICH TNC PLAYS A MATERIAL ROLE

- i. TNC takes on the role of Conservation Advisor to advise on carbon projects to be developed by the entity.
- ii. TNC invests in a non-TNC related carbon or conservation fund that will develop carbon projects.
- iii. A TNC grant or loan source provides large funding support to develop carbon projects managed by other entities.
- iv. TNC is engaged in marketing carbon credits; the project producing the credits must also be aligned with the BoE.

The CPRC helps maintain consistency across the TNC carbon project portfolio and provides recommendations to TNC's Oversight Committee (OC), which ultimately approves or rejects all TNC projects.

The Global Carbon Markets team supports both the CPRC and project developers in this review process. Technical team members can advise developers on how to best align with BoE criteria prior to project review by the CPRC.

The BoE principles and criteria have also been used to assess and endorse standards. All projects must be developed in accordance with the BoE and reviewed against it by TNC's CPRC, even for endorsed standards.

As of May 2024, Verra's Verified Carbon Standard (VCS), the Climate Action Reserve (CAR), the American Carbon Registry (ACR), the California Air Resources Board, the Australian Carbon Credit Unit (ACCU) Scheme, and Plan Vivo (PV) have been endorsed by the CPRC, some of them with restrictions or conditions.





# THE BAR OF EXCELLENCE

The following is a simplified version of Bar of Excellence. Criteria that were not included are specific to standards/methodologies that have conditional requirements. Required criteria must be followed to receive CPRC review and OC approval. Recommended criteria indicate best practice but are not required for CPRC approval and may not always be appropriate. Conditional criteria are required criteria that only apply to certain project types, as listed within the criteria.



# THE BoE PRINCIPLES



## **BASELINE PRINCIPLE**

A valid baseline scenario is a good faith estimate supported by scientific and other relevant and credible evidence of the most likely scenario that would have happened without the carbon project intervention, considering the nature, magnitude, and timing of land use changes. Mechanisms should be built in to maintain accuracy (i.e., be continuously or periodically adjusted to reflect influence of external factors like policy, markets, and climate change impacts).



## **ADDITIONALITY PRINCIPLE**

The carbon project activities that generate the climate benefit shall clearly have occurred due to the direct funding from, or the intention to access, carbon finance. Credible assertions of additionality are interdependent with a valid baseline scenario and project start date. If a project activity is likely to have been implemented in the absence of the incentive provided by carbon markets, it is nonadditional.



## **DURABILITY PRINCIPLE**

This principle states that the climate benefit generated by a carbon project or program shall be maintained for a period of at least 40 years. However, note that this does not require the carbon project itself to operate for 40 years. This requirement can be met through mechanisms to increase the permanence of carbon stocks in the project area itself and/or by distributing reversal risk across a suite of projects or other assets (pooled buffers or insurance). The critical issue is that the atmosphere is “paid back” for any reversals.



## **LEAKAGE PRINCIPLE**

Successful treatment of leakage in carbon projects requires both accurate accounting of leakage effects and efforts to mitigate leakage risk. Reducing leakage risk in carbon markets requires TNC to implement leakage monitoring and mitigation in carbon projects and to advocate for robust requirements in carbon market standards. However, many of the most effective leakage mitigation strategies are outside the domain of carbon markets, and as a result, TNC should continue to include a broad array of NCS strategies as part of its Global NCS strategy.



## **SOCIAL SAFEGUARDS PRINCIPLE**

All carbon market projects and programs shall do no harm to rights holders<sup>1</sup> and interested parties<sup>2</sup> and strive to generate net positive social impact. Carbon market projects with a higher risk profile and/or impacts on specific populations (as described in the criteria section) shall ensure a net positive impact on rights holders and interested parties, as determined by them in aggregate.



## **BIODIVERSITY PRINCIPLE**

All carbon market projects and programs shall do no harm to local biodiversity as defined by TNC’s local business units. TNC is the leading global biodiversity NGO with deep expertise in biodiversity conservation. Therefore, this requirement is devolved to local TNC business units, as leading biodiversity authorities, to define and enforce.





# BASELINE CRITERIA

## REQUIRED CRITERIA

1. Identify the most likely scenario that would have occurred without the carbon project shall be readily apparent and described in project documents.
  - a. Justification shall be provided for why the baseline scenario is appropriate and was selected, and why alternative scenarios were rejected. Continuation of the pre-project land use trends (historic average or historic trend baselines), and the project activity itself in the absence of carbon financing shall always be among baseline scenarios considered.<sup>3</sup>
2. The developer shall actively avoid adverse selection (the intentional development of nonadditional carbon projects or projects that exceed a performance benchmark prior to the incentive of carbon finance) and gaming/manipulation of the methodology to inflate carbon credit yields.
3. Developers shall update baselines every 10 years or more frequently, according to methodological requirements.
4. Developers shall clearly document conformance to this principle and criteria within relevant project documentation including when/if they have exceeded the baseline setting procedures of the relevant methodology/protocol. A summary shall be provided in the project documentation to help a general audience understand how TNC is meeting its Bar of Excellence.

## RECOMMENDED CRITERIA

5. Developers are recommended to favor methodologies and standards that request to reassess the baselines every six years.
6. ARR (forest restoration) projects should use benchmark performance approaches/methodologies.

## CONDITIONAL CRITERIA

7. When a proponent acquires a material interest in the project area (acquisition, easement, or other forms of control that would materially change land management) less than 12 months prior to project start date, developers may use a baseline scenario informed by the historic land use activities of the previous landowner. However, developers shall provide contemporaneous evidence that carbon finance was contemplated at the time of land acquisition.
8. If a historic baseline was used, the baseline update shall consider whether key assumptions regarding policy, markets, or other factors have changed and necessitate



changing the baseline. Land use *in the project area after the project start date* is not recommended to inform the update of a historic baseline.

- a. The above does not apply to jurisdictional baselines where deforestation activities during the crediting period, by definition, inform the baseline used for future crediting periods.
9. When highly accurate baselines are infeasible, developers may opt for a more conservative baseline selection to ensure baseline setting procedures remain practical and cost-effective.<sup>4</sup>
10. Developers of *Avoided Conversion or Degradation project activities* shall rely on the requirements of the relevant jurisdictional framework as well as TNC's required baseline criteria and use appropriate science.
11. For *improved land cover/ land use management projects* with a project method baseline (as opposed to standardized method baselines), a historic baseline informed by management practices occurring during the previous 5-20 years shall be used unless the developer demonstrates that the baseline land use is likely to change in the future (in the absence of the project activity), or no suitable data exists to describe historic land use, or a dynamic baseline methodology is used.
  - a. If a historic baseline is not selected, developers shall document to the CPRC why it was infeasible or inappropriate in this case. Not selecting a historic baseline may be reasonable, for example, due to changes in land ownership, changes in markets, maturation of timber or other commodity products, etc.
12. Baselines in *forest restoration methodologies (ARR)* shall be conservatively adjusted to include background/ongoing restoration rates from natural regeneration, policy, etc. , in comparable areas outside the project area. Background restoration rates will need to be updated every 10 years or less.







# ADDITIONALITY CRITERIA

## REQUIRED CRITERIA

1. Additionality shall be considered in comparison to a credible baseline scenario that conforms to TNC's Baseline Principle and Criteria. To be additional, the implementation of the project activities that generate a climate benefit in comparison to the baseline shall be attributable, in whole or significant part, to carbon finance or the intention to access carbon finance.
2. Project activities shall exceed any enforced regulatory requirements. Developers shall clearly document regulatory surplus based on all applicable laws at the project start date and all future baseline updates (not including dynamic baseline approaches).
  - a. Regulatory surplus shall also include all binding agreements in force at the project start date. This includes, for example, easements and other enforced land management commitments, grant and funding restrictions and contingencies, etc. Those agreements in place for less than 12 months at the project start date can be exempted from regulatory surplus with justification to the CPRC.
3. The project activities generating the climate benefit shall be clearly identified and shall be different than the land use activities and/or management implemented in the project area prior to the project start date.
  - a. Examples of credible project activities include land acquisition or implementation of an easement containing restrictions designed to protect or enhance carbon stocks, restoration activities, or demonstration of significant change in management (e.g., forest certification, management plan with specific prescriptions designed to create climate benefit, etc.).
4. All projects shall demonstrate financial additionality in addition to the requirements of the standard and methodology.
  - a. Projects that generate no financial or economic benefits other than expected carbon finance are de facto considered to have demonstrated financial additionality (commonly called "simple cost analysis").
  - b. For projects that demonstrate financial additionality by comparing financial indicators among alternative land use scenarios, the inclusion of carbon finance shall increase the relevant financial indicator by >10%. For example, the IRR (Internal Rate of Return) or NPV (Net Present Value) of the project scenario with carbon finance shall be at least 10% higher with the inclusion of carbon revenue.
5. All carbon projects shall record and save contemporaneous documentation demonstrating that carbon finance was seriously contemplated on or before the project start date.

## RECOMMENDED CRITERIA

6. Projects where TNC is the proponent/project owner (not third party/collaborator projects we are supporting), should use at least 70% of the gross carbon revenue for carbon project activity implementation and carbon project MRV (Measurement, Reporting and Verification). Once these needs have been met, additional carbon revenue (up to 70% of the remaining gross carbon revenue) should be used to fund other climate-related conservation work
7. To bolster additionality, TNC developers should advocate for jurisdictional benefit sharing programs to have a robust theory of change for directing carbon finance to reduce risks posed by deforestation agents and drivers.



## DURABILITY CRITERIA

### REQUIRED CRITERIA

1. All TNC NCS carbon projects and programs shall operate under carbon standards/registries that utilize a non-permanence buffer pool system and/or insurance system to ensure the atmosphere is adequately compensated for reversals during the crediting period and after the crediting period up to 40 years.

### RECOMMENDED CRITERIA

2. TNC prefers projects to contribute credits from the project itself to create a buffer pool, though contributions from an equivalent (i.e., same project type and standard) TNC or TNC-affiliated project may be permitted in some cases with written CPRC approval.
3. Developers are recommended to intentionally build durability into project design in NCS carbon projects. This may include utilizing tools such as conservation easements, establishment of protected areas, formalizing land tenure for local rights holders, and selecting project activities likely to lead to long term behavior change after the crediting period.







# LEAKAGE CRITERIA

## REQUIRED CRITERIA

1. Developers shall use the relevant leakage quantification, discount, and monitoring requirements of approved carbon standards and methodologies.

## RECOMMENDED CRITERIA

2. All TNC projects where leakage presents some risk are recommended to implement and clearly document to the CPRC which leakage mitigation measures are included in project design.
3. When developing jurisdictional REDD+ programs or nested projects, TNC developers should advocate for complementary leakage mitigation policies at the jurisdictional scale and/or at the national scale.



# SOCIAL SAFEGUARDS CRITERIA

## REQUIRED CRITERIA

1. All carbon market projects/programs shall assess potential impacts to people by:
  - a. Identifying relevant rights holders and interested parties;
  - b. describing the potential impacts (positive and negative) to them as a result of the project/program;
  - c. describing preliminary plans for when and how to engage them;
  - d. describing the process/information used to conduct the assessment. Projects are recommended to use the Carbon Markets Stakeholder Mapping Tool or TNC's Interested Parties Assessment Tool, but may use other rights holder/stakeholder mapping tools if they are more relevant to their context.
2. All carbon market projects/programs shall complete a risk assessment, using the Carbon Markets Social Risk Assessment Tool to:
  - a. identify and describe critical social risks of the project/program;
  - b. quantify the likelihood of the risk;
  - c. quantify the impact of the risk;
  - d. describe plans for risk avoidance and mitigation;
  - e. describe the process/information used to conduct the assessment.
  - f. All projects/programs shall develop and implement a risk mitigation plan to avoid, minimize, or mitigate identified risks, compliant with relevant laws and TNC SOPs.

## CONDITIONAL CRITERIA

4. Any projects/programs materially impacting Indigenous Peoples and/or Local Communities shall achieve and maintain validation and verification with documentation/evidence of the process/outputs of the following:
  - a. Stakeholder Engagement: Full and effective participation of rightsholders and interested parties in each stage of the project, including access to information; consultation; and participation in project design, decision-making, and implementation. Standards require engagement to be gender and inter-generationally sensitive with special attention to vulnerable and/or marginalized people.
  - b. Rights: Respect for and compliance with rights and legal frameworks, including customary rights.
  - c. Free, prior, and informed consent (FPIC).
  - d. Governance and Management Capacity: Equitable and effective governance structures and sufficient project management capacity.
  - e. Positive Impact: Net positive impacts, as defined by the rights holders and interested parties, on their well-being over the project lifetime.
  - f. Anti-discrimination.
  - g. Worker safety and relations.
  - h. Feedback and grievance mechanisms/processes.
  - i. Full accounting and transparency of estimated and actual project costs and revenue with project beneficiaries<sup>5</sup>; TNC shall also strive to make the percentage of after-cost revenue public, noting that in some cases collaborators or investors may not permit this.
  - j. The development of a Benefit Sharing Agreement through a participatory process together with project beneficiaries. The Benefit Sharing Agreement should be revisited at the request of the project beneficiaries, or every five years, whichever is more frequent.

## NOTES

1. **Rights holders** include individuals or communities who have rights relevant to the project/program. These can include use rights, access rights, and/or control rights (management, ownership, and exclusion) over land, resources, and/or carbon. They can include legally defined or customarily held rights. In particular, the United Nations and other constitutions and treaties recognize Indigenous Peoples as specific political entities that have definite reserved rights around resource ownership, access, and harvest. For further definition of rights, particularly related to Indigenous Peoples and Local Communities, please refer to [Appendix 1 of TNC's Human Right Guide](#).
2. **Interested Parties** are individuals, groups, and/or institutions that have an interest in the system who can potentially affect or be affected by the carbon market project/program, and/or will have something to gain or lose if conditions around the natural features change or stay the same. In this case, we include only those individuals or communities who could be materially impacted by the project or program.
2. Applicable for all projects except those that use dynamic baseline methodologies.
3. See for example the VCS Standard: Accuracy should be pursued as far as possible, but the hypothetical nature of baselines, the high cost of monitoring of some types of GHG emissions and removals, and other limitations make accuracy difficult to attain in many cases. In these cases, conservativeness may serve as a moderator to accuracy in order to maintain the credibility of project and program GHG quantification.
4. **Project Beneficiaries** are the set of rights holders and interested parties who will receive direct material benefit from the project.





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