THE INTEGRITY COUNCIL
FOR THE VOLUNTARY CARBON MARKET

OBSERVATIONS IN RELATION TO CATEGORY ASSESSMENT

IMPROVED FOREST MANAGEMENT– PART II

SEPTEMBER 2025

1. Purpose of these observations

The Governing Board (the Board) of the Integrity Council for the Voluntary Carbon Market (ICVCM), when considering the assessment of methodologies related to Improved Forest Management (IFM) identified that it would be beneficial to make available the ICVCM's observations for the purpose of supporting the future development of methodologies in this Category.

These observations are non-binding and do not impact or form any part of the Assessment Framework, Assessment Procedure, or any Decision (as defined under the Assessment Framework) and are published by the ICVCM for the purpose of information only.

The ICVCM may, from time to time, publish other observations for other Categories where it considers this may be useful for CCP-Eligible Programs and other stakeholders, and may update and revise its observations from time to time based on further assessment processes or information. Observations are not an exhaustive set of views of the ICVCM, and not all aspects addressed in assessment processes are included. No reliance may be placed on observations, as they are for the purpose of information only, and observations published are without prejudice to other ongoing assessments.

The Governing Board would like to express its gratitude to the experts and other stakeholders engaged in the assessment process who provided input to the ICVCM regarding this Category.

2.Observations relating to IFM methodologies

The methodology within this Category considered by the Governing Board and to which these observations relate is Mexico Forest Protocol version 3.0 applied under the Climate Action Reserve (CAR). Observations Part I (August 2025) relate to other methodologies within this Category.

In July 2025, the Governing Board decided that the CAR Mexico Forest Protocol version 3.0 met the relevant criteria and requirements for CCP-Approval if remedial action is taken to extend the available approaches to leakage calculation in order to enable the resulting secondary effects deduction value to be set well above 20%, consistent with the latest research. The Governing Board has determined that this remedial action has now been completed satisfactorily. The Governing Board notes that older versions of this methodology as well as the remaining methodologies in this Category remain under assessment.

3. Robust Quantification

A crucial consideration in strengthening the integrity of the voluntary carbon market is ensuring that GHG emission reductions or removals are robustly quantified, which means based on

conservative and complete approaches and using sound scientific methods. The Governing Board considered the following issues when reaching its Decision.

3.1. Leakage

Leakage refers to emissions that are caused by the implementation of a project activity but that occur outside the project boundary. The assessment process considered leakage and relevant literature extensively and, in particular, appropriate leakage deduction rates for these types of activities.

The ICVCM notes that leakage estimation is technically complicated and subject to significant uncertainty and variability, depending on variables such as type of IFM practices, type of forest and national market context. There is no clear scientific consensus on the best way to account for leakage, or indeed the most appropriate value that can be expected for IFM mitigation activities. Different IFM methodologies prescribe different rules and approaches for estimating leakage, leading to a range of possible outcomes and values.

The CAR Mexico Forest Protocol applies a default deduction factor of 20 per cent to the difference between project and baseline onsite carbon harvested which may not adequately capture scenarios where leakage exceeds 20 per cent. To address the Remedial Decision, CAR have published an Errata and Clarification[1] to the Protocol which provides for an additional option to project developers to apply a new, tiered set of default leakage deduction factors ranging from 20 to 40 per cent, depending on the proportion of cumulative project harvest volume relative to the cumulative baseline harvest volume.

The Governing Board notes that the CAR Mexico Forest Protocol is applicable only to projects located in Mexico and, therefore, the leakage approach reflects local legal, regulatory, and traditional forest management practices. Furthermore, the Protocol incentivizes projects to maintain stable harvest volumes over time, thereby minimizing leakage risk. The Governing Board acknowledges that literature on leakage effects in Mexican forestry is limited, but finds that CAR's updated approach, which is based on a global meta-analysis study for the forest sector[2], provides a sufficient basis to meet the Remedial action required per the Remedial Decision.

The Governing Board has therefore decided that where the optional updated leakage approach is applied, the methodology meets the relevant criteria and requirements of the Assessment Framework. The means that carbon credits from mitigation activities using the updated leakage approach may be labelled as CCP Approved.

The Governing Board observes that there is no harmonized definition across carbon crediting programs for the various leakage types that may occur (e.g., negative, market, activity-shifting, carbon, international etc.), which may impact alignment and clarity across the carbon market. It

[1] More information on: https://climateactionreserve.org/wp-content/uploads/2025/09/Errata_and_Clarifications_MFP_V3.0_SEP-2025-FINAL-ENG.pdf

[2] Pan et al., 2020. Carbon leakage in energy/forest sectors and climate policy implications using meta-analysis

notes new studies are under development[3], and expects CCP-Eligible Programs to remain informed about academic research on leakage and review and/or revise leakage approaches and leakage discount factors in new versions of methodologies, as appropriate.

4. Permanence

The ICVCM assessment process noted that the CAR Mexico Forest Protocol version 3.0 establishes a minimum permanence commitment (i.e. monitoring and compensation) of 30 years, with the option to extend up to 100 years. For projects committing to less than 100 years, credit issuance is adjusted proportionally to the duration of the permanence period, relative to a 100-year benchmark. This proportional issuance reflects the atmospheric benefit of storing carbon for a limited time, also known as Tonne-Year Accounting (TYA) approach.

Under the CAR methodology, permanence commitments must be formalized through a Project Implementation Agreement (PIA) and/or, in the case of communal or *ejidal* lands[4], through customary legal instruments such as an Assembly Act. All projects under CAR Mexico Forest Protocol are required to contribute to the CAR shared buffer pool, with contribution levels determined by a project-specific risk analysis.

The ICVCM acknowledges that the 30-year minimum permanence period reflects the historical legal and social context in Mexico, particularly related to *ejidos* and other community-based land tenure systems. It also recognizes that projects opting for a 30-year permanence period and using a 100-year TYA approach significantly reduce the volume of credits eligible for issuance. The Board have decided that the CAR Mexico Forest Protocol's permanence provisions mean that the ICVCM CCP Approval must contain a condition, to ensure that projects explicitly commit to a minimum permanence period of 40 years[5]. Recognizing the need to further consider *ejidos*, the 30-year permanence period using a 100-year TYA approach remains under assessment by the ICVCM.

5. Environmental and Social Safeguards

The Governing Board underlines the importance of compliance with social and environmental safeguards throughout IFM projects, and notes that robust oversight mechanisms are important components of effective social and environmental protections in IFM, particularly in forestry projects involving non-native species.

[3] e.g., Daigneault et al., 2025. A Global Assessment of Regional Forest Carbon Leakage (pending peer review).

[4] *Ejido* or "*propiedad comunal*" is a form of Mexican communal land ownership, primarily used for agriculture, where community members cultivate individually assigned plots while collectively managing shared areas

[5] Please refer to ICVCM Assessment Framework 9.3 (b)