

## FACT SHEET

### **Guyana Sells Approximately 30% of its Forestry Credits under ART TREES to Hess Corporation for a minimum of US\$750M**

**2<sup>nd</sup> December, 2022**

On December 2, 2022, the Government of Guyana and Hess Corporation announced an agreement for Hess to purchase 37.5 million high quality carbon credits, based on current and future issuances, for a minimum of \$750 million between 2022 and 2032 directly from the Government of Guyana.

This agreement will serve to support Guyana's efforts to protect the country's vast forests and provide capital to improve the lives of Guyana's citizens through investments in Guyana's Low Carbon Development Strategy (LCDS) 2030.

The agreement covers about 30% of Guyana's current and anticipated credit issuance.

The credits will be on the ART (Architecture for REDD+ Transactions) registry and will be independently verified to represent permanent and additional emissions reductions under ART's REDD+ Environmental Excellence Standard 2.0 (TREES). They will be independently verified as meeting all relevant United Nations social and environmental safeguards – including those relating to protecting the rights of indigenous peoples and local communities.

On December 1, 2022, the ART Secretariat [announced](#) that 33.47 million credits had been issued for the period 2016-2020. 12.5 million of these credits are part of the agreement announced on December 2, 2022.

Avoiding global deforestation is essential to achieving the objectives of the 2015 Paris Climate Agreement – yet globally deforestation leads to about 10% of greenhouse gas emissions. In 2007, Guyana set out a vision for creating a model on how this could be addressed through payments for forest climate services.

This vision evolved into the first Low Carbon Development Strategy (LCDS) in 2009. In the early days, Guyana sought a bilateral partner who shared Guyana's vision – and the Guyana-Norway Agreement led to payments of US\$220 million from Norway for Guyana's climate services provided in the period 2009-2015.

The announcement on December 2 represents a key milestone in moving from a bilateral agreement with Norway to accessing the global carbon market. Revenues received by Guyana under this agreement will be invested in the expanded LCDS – LCDS 2030, which was put together through a seven-month national consultation involving thousands of Guyanese and others, including village-based consultations involving Guyana's indigenous peoples and local communities.

At the end of the consultations, the elected leaders of Guyana's indigenous peoples – known as Toshias – endorsed the issuance of ART TREES credits, and the benefit sharing mechanism which emerged during the consultations on the LCDS 2030.

Guyana's more than 18 million hectares of forests are estimated to store approximately 20 billion tonnes of carbon dioxide equivalent.

The first transaction of ART-TREES credits is summarised below, followed by a summary of the benefit sharing mechanism which emerged from the seven-month consultations.

## SUMMARY OF TRANSACTION

**Transaction:** On 2<sup>nd</sup> December, 2022, Guyana and Hess Corporation signed the first ever transaction globally, for the sale of jurisdictional ART TREES Credits. These credits come from the TREES standard that recognizes the value of maintaining forests.

The transaction is for the sale of 37.5M ART TREES credits from Guyana for years 2016 to 2030, for which payment will be made over 2022 to 2032 (the next 10 years).

**Quantity of Credits of Total Guyana allocation:** Hess is purchasing 2.5M credits for every year from 2016 to 2030. This equals to approximately 30% of credits for each year that Guyana is estimated to earn under ART TREES. In other words, there is approximately 70% remaining credits for each year that is remaining to be sold.

**Phases of Payment:** Hess will pay US\$75M before the end of this year 2022.

Hess will pay for all the 2016 to 2020 credits that they have purchased within the next 18 months.

Total payments for all 2016-2020 credits will be at a minimum: US\$187.5M

Payment for 2021 to 2025 credits will be at a minimum: US\$250M

Payment for 2026 to 2030 credits will be at a minimum: US\$312.5M

**TOTAL minimum payment for the contract for 37.5M ART TREES Forestry Credits to be paid over 2022 to 2032 is US\$750M**

**Price Levels:** Hess will pay a minimum price for 2016 to 2020 credits (a total of 12.5M credits) at a unit price of US\$15 per ton.

Hess will pay a minimum price for 2021 to 2025 credits (a total of 12.5M credits) at a unit price of US\$20 per ton.

Hess will pay a minimum price for 2026 to 2030 credits (a total of 12.5M credits) at a unit price of US\$25 per ton.

### **Guyana's Share of Upside:**

If prices go above a respective floor price for that year as specified under Price Levels above, Hess will pay Guyana 60% of the price difference of that year's credits at the higher market price, and the floor price under contract. The benchmark to be used, will be comparative market index or Guyana's other carbon market transactions.

## **INVESTMENT IN LOW CARBON DEVELOPMENT STRATEGY 2030**

All receipts from this transaction (and all other revenues from the sale of ART-TREES credits) will be invested in Guyana's Low Carbon Development Strategy (LCDS) 2030.

LCDS 2030 is the successor to the original LCDS of 2009, which was the world's first low carbon development strategy from a developing country.

As with the original LCDS, LCDS 2030 was put together through a seven-month national consultation involving stakeholders from all over the country.

In October 2021, a consultation draft of the LCDS 2030 proposed that all revenues would be invested through a combination of:

- nationally administered programmes as outlined in the draft LCDS 2030 (e.g., renewable energy in hinterland communities as described in Chapter 3, land titling for indigenous communities as described in Chapter 4, repairing canals, and protecting against climate change as outlined in Chapter 5), and
- community/village-led programmes for indigenous peoples and local communities (IPLCs) as set out in Village Sustainability Plans or equivalent, put together by communities themselves.

Nationally administered programmes benefit from central administration and economies of scale (for example in the purchase of renewable energy equipment) as well as ongoing partnership with development partners in some cases (as in the case of the land titling programme, which is being done in partnership with the United Nations Development Programme (UNDP)).

Village-led programmes benefit from being close to villages and are prepared – sometimes with the support of international non-governmental organisations – in accordance with the village's decision-making process (summarised below). Funds for village-led programmes, guaranteed at 15% of total revenues – are supplementary to the investment in villages from the national programme pathway.

Significant feedback was received on the proposed revenue sharing approach from those who participated in the national consultation.

An updated benefit sharing mechanism was created as a result of those contributions.

## **BENEFIT SHARING**

The mechanism, as well as the overall approach and the LCDS 2030 itself was endorsed by the National Toshias' Council in July 2022, which paved the way for finalisation of LCDS 2030. The National Toshias' Council consists of the elected representatives of all indigenous villages in Guyana:

- Guyana has 218 Amerindian and other hinterland villages/communities away from the country's main urban areas, with a population of about 98,000 people or 13% of Guyana's population – these are all considered local communities for the purpose of Guyana's ART-TREES jurisdiction-scale approach.
- Each village has an elected Toshiao or Village Captain and elected Councillors who act as the executive body of the village. The powers of villagers are exercised through decisions made in a village general meeting, which must be held by law at least once a quarter.

Based on existing village-led decision-making processes, principles of FPIC, and feedback received during the national consultation on the draft LCDS 2030, the following process is recommended for producing Village Sustainability Plans (VSPs):

- The village council will call a village meeting, to which all villagers will be invited and where all adults will be entitled to vote.
- In advance of the meeting, the village council (with the support of government and/or non-governmental organisations, if requested) will provide villages with clear information on the potential revenue for the village as well as the requirement to invest revenues in a Village Sustainability Plan, which will be put together by villagers themselves.
- Communities will produce a Village Sustainability Plan to basic standards of financial transparency and accountability.
- A vote by two-thirds of those present will be recognised as the decision of the village.
- The village Toshao will communicate the village's decision to the ART-TREES national focal point (the Guyana Forestry Commission).
- The ART-TREES focal point will ensure a record of all village decisions is publicly available (including through a website).

## **VILLAGE SUSTAINABILITY PLANS (VSPs)**

Because they will be led by villages, the specific format and content of VSPs will vary, but previous experience suggests villages will likely run a set of workshops to identify priorities, determine an action plan and produce information such as:

- A vision statement for where the community sees itself in 2030
- Identified priority areas to deliver on the vision up to 2030, likely to include areas such as:
  - Community Infrastructure and Communications
  - Clean Energy
  - Information and Communications Technology (ICT)
- Livelihood Opportunities such as:
  - Tourism opportunities for jobs and economic activities
  - Agricultural opportunities to ensure food security and income generation within villages
- Nature and Environment: how can they be sustainably maintained
- Health, for example:
  - Safe and Affordable Drinking Water
  - Access to adequate and equitable sanitation and hygiene for all
  - Access to sexual and reproductive health care
- Education, for example:
  - Ensuring equal access to education facilities that are local
  - Adult Education for literacy and numeracy
  - Scholarship programmes for local students

