



SUBSIDIARY GUIDELINES ON PROJECT REQUIREMENT OF FOREST CARBON OFFSET PROJECTS



**MALAYSIA FOREST
FUND**

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2.0 SUBSIDIARY GUIDELINES ON PROJECT REQUIREMENT OF FOREST CARBON OFFSET PROJECTS

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2.1 PURPOSE

- 2.1.1 The Subsidiary Guidelines on Project Requirement of Forest Carbon Offset (FCO) Projects serves to outline the mandatory requirements and conditions for projects in the Malaysia FCO Program.

2.2 SCOPE AND APPLICABILITY

- 2.2.1 The Subsidiary Guidelines on Project Requirement of FCO Projects, along with all clauses within this document and those referenced herein are mandatory for all project owners and project proponents participating in the FCO Program to adhere to.
- 2.2.2 Malaysia Forest Fund (MFF) retains the authority to issue updates, modifications, clarifications or corrections to the Guidelines, which will be made available in the MFF Registry. Project proponents must stay current with these updates and incorporate them as needed for their projects by regularly checking the rule updates section in the MFF Registry.
- 2.2.3 Stakeholders may suggest updates, edits, changes or additions to the Guidelines by sending an email to MFF at corporate@myforestfund.com.my. MFF reserves the right to accept or reject such requests at its discretion.

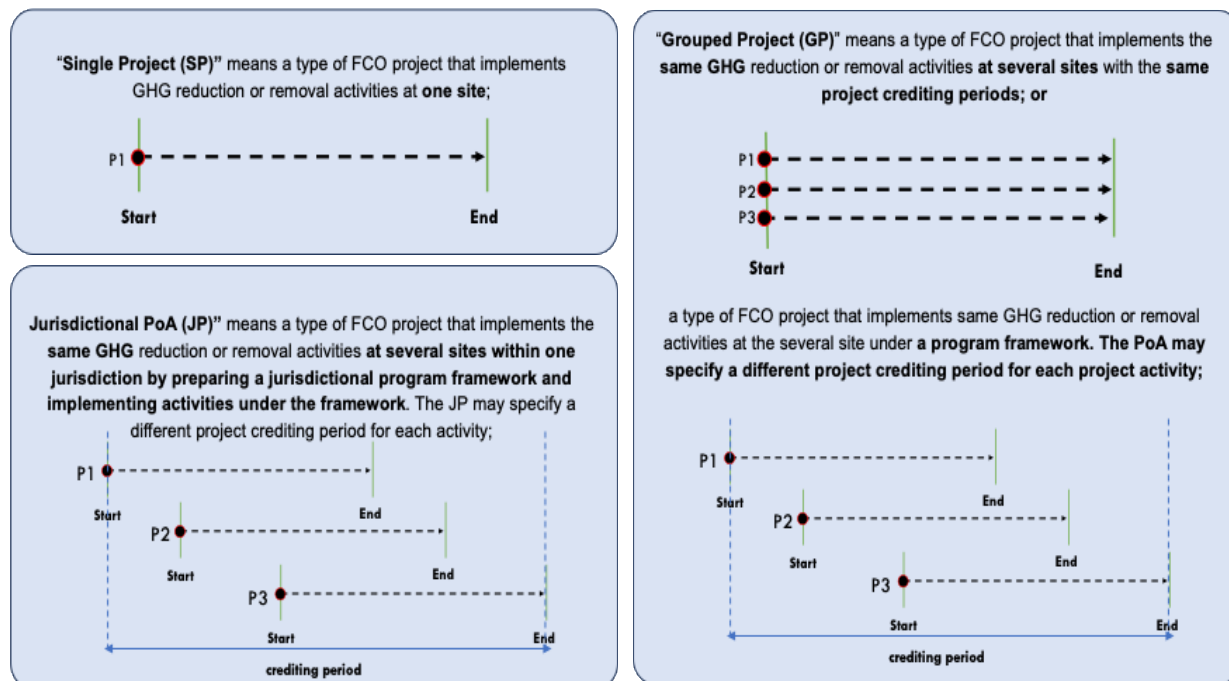
2.3 PROJECT MODALITIES

- 2.3.1 Projects under the FCO program may be implemented through one of three modalities, each with specific characteristics, varying scales and operational scopes of greenhouse gas (GHG) mitigation activities:
- (a) **Single Project (SP):** This FCO project type involves a GHG reduction, removal or avoidance activity at a single site;
 - (b) **Grouped Project (GP):** This FCO project type involves either the same or different GHG reduction, removal or avoidance activities across multiple sites with the same project crediting periods; and
 - (c) **Jurisdictional Program of Activities (JPoA):** This FCO project type involves either the same or different GHG reduction, removal and avoidance activities across multiple sites within one jurisdiction with possibly different project crediting periods. It requires the development of a jurisdictional program framework and the implementation of activities under the framework. The JPoA may specify different project crediting periods for each activity, providing flexibility to accommodate different timelines for implementation sites within the jurisdiction, unlike the grouped project modality.

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2.3.2 Figure 1 illustrate the FCO Modalities:

FIGURE 1 : ILLUSTRATION OF FCO PROJECT MODALITIES



2.4 ELIGIBLE PROJECTS

2.4.1 The following categories of projects are eligible under the FCO Program Project:

- Projects in the category of reduction of GHG from the forestry sector – projects that aim to reduce emissions through activities that lead to lower level of carbon being released into the atmosphere;
- Projects in the category of removal of GHG from the forestry sector – projects that aim to enhance carbon sequestration through activities such as afforestation, reforestation, restoration or improving forest carbon stocks to remove carbon from the atmosphere;
- Projects in the category of avoidance of GHG from the forestry sector – projects that aim to prevent carbon emissions or “avoid” emissions from entering the atmosphere through activities that mitigate potential emissions or to stop existing emissions into the atmosphere;
- Projects in other categories as may be prescribed by the Board of Trustees which is to be properly justified with scientific rationale.

2.5 FCO PROJECT

2.5.1 All projects are required to demonstrate that they are designed to reduce, remove, or avoid GHG emissions;

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- 2.5.2 Any projects seeking to be classified as a FCO project must adhere to a business-as-usual baseline scenario. It should carry out GHG emissions reduction, removal or avoidance activities that are additional, measurable, verifiable, permanent, prevent double counting, and ensure there are no adverse impacts or have mitigation measures in place to prevent negative impacts (do-no-net harm).
- 2.5.3 Any projects intended for International Objectives shall be developed based on a conservative baseline, and implement emissions reduction, removal or avoidance activities that are additional, measurable, verifiable, permanent, conservative, prevent double counting and ensure there are no adverse impacts or have mitigation measure in place to prevent such impacts (do-no-net harm), and contribute to at least two (2) SDGs.
- 2.5.4 Project start date shall meet the following requirement:
- (a) The project must apply for registration in accordance with the requirements to these Guidelines (provided in the [Subsidiary Guidelines on Registration of Forest Carbon Offsets Projects](#)); and
 - (b) The project must be implemented within three (3) years from the registration date and undergo validation within eight (8) years of the start date unless otherwise, specified in the applicable methodologies.
- 2.5.5 Any project that intends to be developed for International Objectives shall also support at least two (2) SDGs, and include relevant additional integrity labels in accordance to these Guidelines (provided in the [Subsidiary Guidelines on Registration of Forest Carbon Offsets Projects and Subsidiary Guidelines on Sustainable Development Goals and Safeguards Compliance](#)).

2.6 REQUIREMENTS FOR FCO

2.6.1 The requirements for FCO projects are as follows:

- (a) project proponent must demonstrate and elaborate in the PDD that the project activities are aimed to reduce, remove, or avoid GHG emissions;
- (b) project activities must comply with relevant laws, regulations and these Guidelines;
- (c) projects need to demonstrate that their activities exceed a conservative (below) business-as-usual baseline scenario;
- (d) outcomes and feedback received from stakeholder consultation and public hearings by project proponents must be documented and submitted along with the registration application;
- (e) projects should align with at least one (1) SDGs for domestic use, or at least two (2) SDGs for International Objective in accordance with the requirements pursuant to these Guidelines (provided in the [Subsidiary Guidelines on Sustainable Development Goals and Safeguards Compliance](#)).
- (f) the project proponent must elaborate in the PDD on the estimations for the potential amount of GHG reductions, removals or avoidances to be achieved by the project activities;
- (g) all projects must be validated by VVBs registered with MFF and approved by the Board of Trustees; and

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- (h) measurement and reporting methods should align with these Guidelines, and the [*Subsidiary Guidelines on Forest Carbon Offset Methodologies*](#).
- (i) project proponents intending to utilize carbon credits for International Objectives under Article 6 of Paris Agreement must comply with the National Arrangement.

2.7 PROJECT MODALITIES REQUIREMENTS

2.7.1 Single Project Requirement:

- (a) fulfil the applicability conditions outlined in the project methodologies;
- (b) implement the measures outlined in the PDD;
- (c) adhere with the baseline scenario established in the PDD for specified project activity and geographic area;
- (d) demonstrate additionality characteristics consistent with the specified project activity and geographic area;
- (e) provide legal documentation confirming project ownership as specified in the PDD;
- (f) commence the project within the start date specified in the PDD; and
- (g) ensure the project is not participating in other crediting program.

2.7.2 Grouped Project Requirement:

- (a) fulfil the applicability conditions outlined in the project methodologies;
- (b) implement the measures outlined in the PDD;
- (c) adhere with the baseline scenarios established in the PDD for the specified project activity and geographic area;
- (d) demonstrate additionality characteristics consistent with the specified project activity and geographic area;
- (e) operate within the geographic areas specified in the PDD;
- (f) provide legal documentation confirming project ownership for each geographic area; and
- (g) ensure the project is not participating in other crediting program.

2.7.3 Jurisdictional Programme of Activities Project Requirements:

- (a) allow for bundling of activities during registration or add new project instances post-initial registration;
- (b) fulfil the applicability conditions outlined in the project methodologies;
- (c) implement the measures outlined in the PDD;
- (d) adhere with the baseline scenarios established in the PDD for the specified project activity and geographic area;
- (e) demonstrate additionality characteristics consistent with specified project activity and geographic area;
- (f) operate within the geographic areas specified in the PDD;
- (g) provide legal documentation confirming project ownership for each project activity instance, starting from the inception date of each activity that reduces or removes GHG emissions; and
- (h) ensure the project is not participating in another crediting program.

2.8 CREDITING PERIOD

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- 2.8.1 All projects must have a minimum crediting period of thirty (30) years. Upon expiration, the crediting period can be renewed up to three (3) times, each renewal lasting for a maximum of ten (10) years.

2.9 RENEWAL OF CREDITING PERIOD

- 2.9.1 The renewal of a crediting period is subject to the following conditions:

- (a) Project activities must adhere to the relevant state and national laws and regulations, as well as comply with these Guidelines; and
- (b) the project estimates the potential GHG reduction, removal or avoidance and applies measurement and reporting methods in accordance with the requirements prescribed by MFF pursuant to [*Subsidiary Guidelines on Forest Carbon Offset Methodologies*](#).

- 2.9.2 If a registered FCO project meets the renewal conditions and intends to renew its crediting period, it must submit a written application with supporting documents to MFF, at least one hundred eighty (180) days before the current crediting period ends. The application will be reviewed by the Board of Trustees for consideration of the renewal.

2.10 STAKEHOLDER CONSULTATION

- 2.10.1 Project proponent should conduct stakeholder consultations before project commencement to gather feedback and address concerns from stakeholders. This stakeholder engagement should continue throughout the project lifecycle. Project proponents are required to document how any stakeholders' concerns raised are addressed in the stakeholder consultation reports. The project proponent must identify and invite all relevant stakeholders including those as listed below (as appropriate) for consultations and comments:

- a) Indigenous Peoples and Local Communities (IPLCs);
- b) Stakeholders with land-tenure rights within or adjacent to the project;
- c) Local policy makers and representatives of local authorities;
- d) Local non-governmental organisations (NGOs); and
- e) Representative from Malaysia Forest Fund.

- 2.10.2 The Stakeholder Consultation process must comprise at least two stages: a mandatory **in-person meeting** for direct stakeholders' engagement and a **stakeholder feedback period** lasting a minimum of one month to allow sufficient time for all stakeholders to provide meaningful input.

- 2.10.3 Project proponent should identify IPLCs with rights to land and resources in the project area(s) to ensure their involvement in the **Free, Prior, and Informed Consent (FPIC)** process. This approach fosters equitable participation and upholds their rights

- 2.10.4 Project proponent must establish a formal mechanism for stakeholder **input, feedback, and grievances**. This mechanism should enable stakeholders to express concerns and provide feedback continually throughout the project's lifecycle.

- 2.10.5 Project Proponent must thoroughly review stakeholder feedback, reporting on how comments were addressed and detailing any changes made in response. Clear and transparent justifications must be provided if certain comments cannot be incorporated.

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- 2.10.6 A stakeholder consultation report using the designated template, must be prepared to document actions taken for meeting consultation requirements. The report is to be submitted to MFF within ninety (90) days of the project start date.
- 2.10.7 The VVB will review the stakeholder consultation report and stakeholders' feedback to assess whether the project proponent has appropriately addressed concerns raised by stakeholders during the consultation process.
- 2.10.8 In the event of project amendments of new project activities, project proponent must notify stakeholders about the changes.
- 2.10.9 The project proponent must review the feedback received on the new activities and explain how concerns or suggestions have been addressed.
- 2.10.10 Any amendments to the project design resulting from stakeholder feedback should be documented. The revised PDD must be submitted for validation to ensure alignment with the required standards and expectations.

2.11 PROJECT DEVELOPMENT PROCESS

2.11.1 For this paragraph:

"public comment period" refers to the designated timeframe for stakeholders and the public to review and provide feedback on a proposed project.

"disclosure period" signifies the duration during which all relevant information about a project is disclosed to stakeholders and the public. This includes details about the project's design, implementation, and expected impacts.

- 2.11.2 The FCO Project Development Process is a structured framework for project proponents to develop and certify FCO projects within the FCO program. It ensures that each phase, from project registration to the certification of Forest Carbon Unit (FCUs), adheres to the guidelines, promoting transparency, accountability, and environmental integrity.

2.11.3 Registry and Public Disclosure

- (a) The FCO project development process must be recorded in the Registry. The purpose of the Registry is to ensure that all pertinent project information is documented, tracked, and safeguarded, creating a dependable and permanent record of the project's progress and outcomes.
- (b) Mandatory public disclosure of key project documents is essential to enhance transparency and accountability in the FCO project development and implementation. This process ensure that stakeholders have access to critical project information and can provide feedback.
- (c) Steps in Public Disclosure Process:
 - (i) The project proponent prepares the necessary documents for public disclosure;

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- (ii) The project proponent submits the required documents to MFF as part of the project registration process;
- (iii) MFF publishes the necessary documents on its website;
- (iv) MFF initiates the public comment period, allowing the public to review the documents and offer feedback;
- (v) MFF reviews the public comments received during the disclosure period. The project proponent may need to address issues or concerns raised by stakeholders;
- (vi) Based on the public feedback, the project proponent may need to revise the project documents or provide additional information;
- (vii) After incorporating feedback, the final versions of the project documents are prepared. These finalized documents reflect any changes or additions made in response to public comments; and
- (viii) MFF evaluates the project for registration, considering public comments and the final versions of the project documents.

2.11.4 Required Documentation for Public Disclosure

- a) The required documents for public disclosure include:

NO.	REQUIRED DOCUMENT	CONTENT
1	Baseline	The baseline, which indicates the level of emissions that would have occurred without the emissions reduction activity or offset project, must be publicly disclosed to maintain transparency and credibility.
2	Project Design Document (PDD)	The PDD form is in accordance with the Subsidiary Guidelines on Registration of Forest Carbon Offset Projects .
3	Validation Report	The Validation Report produced by the VVB must be made publicly shared. This report confirms the project's compliance with the required standards for GHG reductions, additionality, and sustainability.
4	Free, Prior and Informed Consent (FPIC)	Documentation from stakeholder consultations, including the outcomes of the FPIC process, must be disclosed. This ensures that stakeholders are well-informed about the project and have provided their consent.
5	Sustainable Development and Safeguards Assessment Report	This report, which assesses the project's impact on SDGs and adherence to safeguards, must be made publicly available.
6	Monitoring Report	The Monitoring Report, which presents data on the actual GHG reductions, removals, or avoidance accomplished by the project, must be disclosed.

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7	Verification Report	The Verification Report prepared by the VVB, validating the accuracy and integrity of the Monitoring Report, must be publicly shared.
FOR FCO PROJECTS WITH INTERNATIONAL OBJECTIVES		
8	Additional Integrity & Market Labels	<p>Any project intended for International Objectives must align with at least two (2) SDGs and incorporate supplemental integrity labels.</p> <p>FCO Projects and FCUs that contribute to two (2) or more SDGs will receive SDG++Label upon registration and/or issuance, indicating the project's impact on the SDGs;</p> <p>Information regarding project's contribution beyond GHG reductions must also be disclosed.</p>
9	Authorization	Project proponents intending to utilize carbon credits for International Objectives under Article 6 of Paris Agreement must comply with the National Arrangement.

2.11.5 General Principles and Relevant Requirements

- (a) MFF mandates that project proponents develop projects based on specifications outlined in the guidance at the project level for quantification, monitoring, and reporting of GHG emission reduction or removal enhancement (ISO 14064-2: 2019), along with other criteria, methods and conditions specified by the MFF. The key fundamental principles for FCO project development according to ISO 14064-2: 2019 are as follows:
- (i) **Relevance:** Ensure that the selection of GHG emission sources and storages, activities, and regulations accurately reflects the actual GHG emission reductions achieved in the project proponents' operation;
 - (ii) **Completeness:** Report all GHG emissions and storages associated with project activities, providing comprehensive and relevant information to meet the required criteria and processes;
 - (iii) **Consistency:** Maintain consistency in information collection related to GHG reductions, using the same principles and methods throughout reporting, including in project design proposals and monitoring reports;
 - (iv) **Accuracy:** Utilize valid, reliable, and acceptable methods for GHG data collection and calculation to minimize bias and uncertainty;
 - (v) **Transparency:** Disclosure GHG emissions reduction data collection and calculation information in a manner that is sufficient, verifiable, and supported by reliable sources and evidence; and

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- (vi) **Conservativeness:** Ensure that the assessment of GHG reductions generated by the project is realistic by using assumptions, figures and processes that are not overestimated. Project proponents should consider different methods and data selections to prevent excessive GHG reduction claims. The VVB team is responsible for assessing whether project proponents adhere to these fundamental principles in FCO project development.

2.11.6 The FCO project lifecycle is structured into five (5) phases: pipeline listing, registration, implementation, monitoring, and certification. Each phase must be meticulously executed to ensure that the project progresses in an organised manner while adhering to the [Guidelines for Forest Carbon Offset Program](#).

(a) Project pipeline listing

- (i) Projects in the early development stages are listed through a Project Information Note (PIN) before proceeding to registration for public consultation and validation.

(b) Registration Phase

- (i) Clearly define the project type in alignment with the FCO framework and guidelines;
- (ii) Establish baseline emissions and demonstrate project additionality to ensure the generation of verifiable and additional emissions reductions, removal or avoidance;
- (iii) Prepare a PDD outlining objectives, methodologies, and anticipated impacts;
- (iv) Conduct stakeholder consultation to solicit feedback and ensure social acceptance within relevant communities and stakeholder groups;
- (v) Validate the PDD and stakeholder report with a third-party VVB to confirm compliance with FCO program standards; and
- (vi) Upon successful registration, the project is granted a 3-year implementation.

(c) Monitoring Phase

- (i) Continuously monitor project emissions reductions, environmental and social impacts; and
- (ii) Undergo periodic validation and verification by a VVB to confirm adherence to program guidelines and achievement of expected outcomes as per the [Guidelines for Forest Carbon Offset Program](#).

(d) Certification of FCU:

- (i) Upon successful verification, the project becomes eligible for FCU certification; and
- (ii) FCUs representing verified emission reductions, removal or avoidance are issued and recorded in the registry according to the [Subsidiary Guidelines on Certification and Issuance of Forest Carbon Offset Projects](#).

(e) Renewal of Crediting Period:

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- (i) The standard crediting period for all project types is 30 years.
- (ii) Projects may renew the crediting period up to three times, with each renewal lasting for 10 years.

ANNEX 2A: FCO PROJECT CYCLE

