



SUBSIDIARY GUIDELINES ON CERTIFICATION AND ISSUANCE OF FOREST CARBON OFFSET PROJECTS



**MALAYSIA FOREST
FUND**

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4.1 PURPOSE

- 4.1.1 The Subsidiary Guidelines on Certification and Issuance of Forest Carbon Unit (FCUs) for Forest Carbon Offset (FCO) Projects aims to provide a clear framework and direction on the certification of FCUs, founded on best practices that govern and oversee the FCO program.
- 4.1.2 The certification and issuance of FCUs entail project monitoring, data collection and verification conducted by Validation and Verification Body (VVBs). FCUs issuance is based on verified emissions reductions, removal, or avoidance achieved through FCO projects.

4.2 SCOPE AND APPLICABILITY

- 4.2.1 The Subsidiary Guidelines on Certification and Issuance of FCUs for 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.
- 4.2.2 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 the projects by regularly checking the rule updates section in the MFF Registry.
- 4.2.3 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.

4.3 REQUIREMENTS FOR FOREST CARBON UNITS (FCU) CERTIFICATION

- 4.3.1 The requirements for FCU certification are as follow:
 - (a) Ensure that all activities carried out under the FCO project comply with relevant laws and regulations, as well as align with the [Guidelines for the Forest Carbon Offset and Subsidiary Guidelines on Forest Carbon Offset Methodologies](#).
 - (b) Project proponents must monitor GHG reductions, removals or avoidance and collect project data as detailed out in the Project Design Document (PDD) submitted for FCO project registration.
 - (c) Calculate the amount of GHG emissions seeking certification as FCUs in accordance with the [Subsidiary Guidelines on Forest Carbon Offset Methodologies](#). Submit the emission reduction, removal or avoidance calculation spreadsheet as supporting evidence.
 - (d) Implement measures to prevent negative environmental and social impacts (do-no-net harm). The project proponents must incorporate these measures within their project scope, ensuring that:
 - (i) FCO projects comply with relevant environmental laws and adhere to industry best practices to prevent environmental harm; and

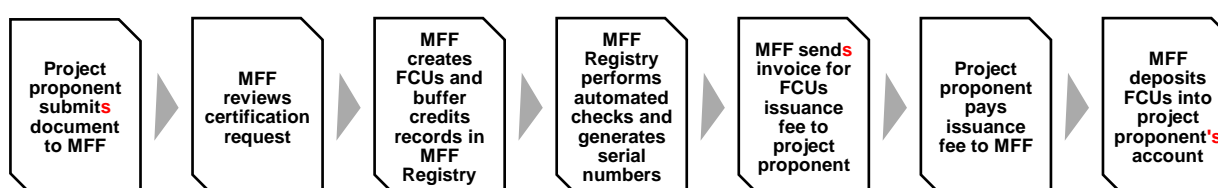
- (ii) FCO projects comply with applicable legal requirements regarding social rights, follow industry best practices, and prevent harm to society.
- (e) Projects must contribute to at least one (1) United Nations Sustainable Development Goal (SDG) relevant to their scope and objectives to obtain SDG+ label, depending on the number of SDGs contributed to, as shown in **Table 1**.
- (f) For FCO projects intended for International Objectives, contributions to two (2) or more SDGs relevant to their scope and objectives to obtain SDG++ label, depending on the number of SDGs contributed to, as shown in **Table 1**.

Table 1: FCO SDG Certification Labels

Number of UN level SDGs positively impacted by FCO Project	SDG Labels
2 out of 17	Bronze
3 out of 17	Silver
4 out of 17	Gold
5 out of 17	Platinum
More than 5 out of 17	Diamond

4.4 APPLICATION FOR CERTIFICATION OF CARBON CREDITS

- 4.4.1 To apply for the certification of FCUs, a project proponent must use the certification form provided in the Annex 4A of this Guideline. The completed form must be submitted to MFF along with the required documents specified in the clause 4.4.1.
- 4.4.2 An application for FCU certification under clause 4.4.1 must include the following documents:
- (a) a request letter for FCU certification;
 - (b) a Monitoring Report verified by a VVB;
 - (c) a Verification Report from a VVB;
 - (d) a Sustainable Development and Safeguards Monitoring Report;
 - (e) a Non-permanence Risk Report (if applicable) verified by a VVB for FCO projects, in line with the FCO Methodology and tools;
 - (f) any digital storage device containing all project information if applicant is submitting documents via post or at MFF office.
- 4.4.3 Upon receiving the application, MFF will evaluate the application and accompanying documents to ensure compliance with all requirements, including document completeness and supporting information, before proceeding with the review process.
- 4.4.4 The process flow for the application is as follows:



4.5 REVIEW OF APPLICATION FOR CERTIFICATION OF CARBON CREDITS

- 4.5.1 The Board of Trustees is entrusted with the responsibility to review applications and ensure that the FCO project aligns with the criteria and guidelines established by the FCO program, in addition to the initial completeness assessment conducted by MFF. In exercising its authority, the Board of Trustees may:
- (a) Review the implementation of project activities in accordance with the specified methodology detailed in the [Subsidiary Guidelines for Forest Carbon Offset Methodologies](#)
 - (b) Assess the collected data on activities and baseline as indicated in the PDD as relevant.
 - (c) Review the accomplishment of indicators outlined in the monitoring report as mandated by the specific FCO Methodology.
 - (d) Verify that the project adheres to the designated project period specified in the FCO programs; and
 - (e) Make decision to approve, reject, or address any appeals related to applications for FCU certification.
- 4.5.2 The decision made by Board of Trustees will be communicated to the project proponent by MFF.

4.6 TIMELINE FOR APPLICATION AND REVIEW

- 4.6.1 If MFF identifies deficiencies in documentation or non-compliance with applicable laws and regulations in the application, the project proponent will be informed within fifteen (15) business days from the date of identification of the deficiency or non-compliance. The project proponent will be advised to rectify and re-submit their application, along with supporting documents or evidence, within thirty (30) business days from the date of receiving the notice from MFF.
- 4.6.2 Upon receipt of the re-submitted application and related material, if they are found to be accurate, complete and satisfactorily address the raised concerns, MFF will accept the re-submission. The date of re-submission will then be considered the official date of application.

4.7 CERTIFICATION AND ISSUANCE FEE

- 4.7.1 The fees associated with registration, renewal of crediting period, certification and issuance of carbon credits will be determined by MFF in accordance with the requirements outlined in these Guidelines provided in the [Subsidiary Guidelines on Fees](#).

4.8 ISSUANCE OF CERTIFIED FOREST CARBON UNITS

- 4.8.1 Following approval by the Board of Trustees, MFF will issue the certified FCUs to the project proponent, which will be reflected in the project proponent's account in the MFF Registry within ten (10) business days from the date of approval.
- 4.8.2 The information pertaining to FCUs recorded in the MFF registry will include unique FCU serial numbers, FCU types, the year of GHG reduction, removal or avoidance, and the specific GHG reduction project that generated the FCUs.

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- 4.8.3 Details concerning the classification, types, methodologies, and other relevant information of the FCUs will be published by MFF in the MFF registry. This ensures each FCU can be identified and tracked, prevents double counting and maintains transparency in the FCO program.
- 4.8.4 In the MFF Registry, each FCU will be assigned a unique serial number to facilitate traceability and prevent double counting. The format of a typical serial number for a block of FCUs will be as specified as follows:

0001-000001-000100-FCO-FCU-003-MFF-JO-0003-01012025-31122055-1 where:

- (a) **Project Identifier:** 0001 - This is a unique identifier for the project.
- (b) **Start Serial Number:** 000001 - The starting number in the issuance block of credits.
- (c) **End Serial Number:** 000100 - The ending number in the issuance block of credits.
- (d) **Program Identifier:** FCO - Indicates the Forest Carbon Offset program.
- (e) **Credit Type:** FCU - Specifies that these are Verified Carbon Units.
- (f) **Version Number:** 003 - The version of the methodology used.
- (g) **Registry Identifier:** MFF - Indicates the MFF registry.
- (h) **State Code:** JOH - The state where the project is located.

State	Code
Johor	JOH
Kedah	KED
Kelantan	KEL
Malacca	MAL
Negeri Sembilan	NSE
Pahang	PAH
Penang	PEN
Perak	PRK
Perlis	PER
Selangor	SEL
Terengganu	TER
Sabah	SAB
Sarawak	SAR
Federal Territory of Kuala Lumpur	KUL
Federal Territory of Labuan	LAB
Federal Territory of Putrajaya	PTJ

- (i) **Project Number:** 0003 - A unique number for the project within the state.
- (j) **Start Date:** 01012025 - The start date of the crediting period (DDMMYYYY).
- (k) **End Date:** 31122055 - The end date of the crediting period (DDMMYYYY).
- (l) **Batch Number:** 1 - The batch number of the issuance.
- (m) **Vintage:** Vin2020 - Specifies the year in which the carbon emission reduction or removal occurred

4.11 RETIREMENT OF FOREST CARBON UNITS

- 4.11.1 FCUs can be retired to offset emissions from a company's operations. Retired FCUs are permanently removed from circulation and are not available for further trading or

selling. The retirement of FCUs will be recorded by project proponent in the MFF Registry, indicating the purpose or claim associated with the retirement.

4.11.2 The status of all FCUs issued through the FCO Program will be publicly viewable in the MFF Registry, with designations such as active, expired, retired, or cancelled. It is important to note that FCU retirement and cancellation have distinct meanings as outlined in clause 4.11.1. The process for retiring active FCUs is set out below.

- (a) FCU retirements must be initiated by the registry account holder or their authorized representative.
- (b) An FCU retirement can be completed through the MFF Registry account by the account holder or their authorized representative, with the MFF Registry recording all retirements
- (c) The registry account holder is responsible for paying the FCU retirement fee within the specified invoice timeframe, subject to review by MFF.
- (d) FCUs may be retired incrementally from the registry account holder's holdings, with the following conditions:
 - (i) The account holder or authorized representative must select a group of FCUs for retirement via the MFF Registry.
 - (ii) MFF does not set specific criteria or timelines for incremental FCU retirement (e.g., total retirements or time intervals between retirements). However, MFF reserves the right to establish such criteria or timelines if deemed necessary.

4.12 BUFFER POOL AND CANCELLATION OF FOREST CARBON UNITS

4.12.1 Buffer credits that are held in the pooled buffer account may be subject to cancellation or suspension in cases involving negative GHG emission reductions or removals, under specific circumstances:

i. **Loss Event Notification:**

- (a) In the event of a loss, the project proponent must notify MFF within 30 days of its discovery.
- (b) A loss event report, utilizing the provided template, must be submitted within two years of discovery. Failure to submit the report within this timeframe renders the project ineligible to issue FCUs.
- (c) MFF temporarily places buffer credits on hold equivalent to the estimated loss arising from the event.

ii. **Verification After Loss Event:**

- (a) If the project's net GHG benefit for the verification period indicates a negative outcome (a "reversal"), the following protocol is followed:
 - (i) **If the reversal amount is less than the credits held in suspension**, MFF cancels credits equal to the reversal amount, while any remaining credits are released from hold.
 - (ii) **If the reversal amount surpasses the credits on hold**, MFF cancels all the credits placed on hold and additional credits to fully offset the reversal.

- (b) This process is designed to ensure that buffer credits are utilized to mitigate losses and reversals in GHG emissions reductions or removals, with appropriate reporting and adjustments to credit balances.

4.13 TRANSFER OF FOREST CARBON UNITS

- 4.13.1 Project proponents seeking to transfer FCUs from FCO projects, must do so through the MFF Registry. FCU transfers can be conducted by the account holder, or the account holder may authorize MFF to perform the transaction on their behalf, following the steps outlined below:

Step 1: The account holder provides MFF with the recipient's name, amount of FCUs and recipient's account number for the transfer.

Step 2: MFF reviews the accuracy and completeness of the documentation provided.

Step 3: Upon verification, MFF initiates the transfer of FCUs as per the instructions and details submitted.

- 4.13.2 Project proponents seeking to transfer FCUs from FCO projects through Article 6 of Paris Agreement are required to follow the National Arrangement.

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