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**AD HOC WORKING GROUP ON LONG-TERM COOPERATIVE ACTION
UNDER THE CONVENTION**

Third session

Accra, 21–27 August 2008

Agenda item 3 (a–e)

Enabling the full, effective and sustained implementation of the Convention through long-term cooperative action now, up to and beyond 2012, by addressing, inter alia:

A shared vision for long-term cooperative action

Enhanced national/international action on mitigation of climate change

Enhanced action on adaptation

Enhanced action on technology development and transfer to support action on mitigation and adaptation

Enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation

Report of the workshop on policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries

Summary by the chair of the workshop

I. Introduction

1. The Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) agreed its work programme for 2008 at its first session. The AWG-LCA also agreed that its work should be facilitated by workshops and other activities to clarify and deepen understanding of the elements contained in decision 1/CP.13 (the Bali Action Plan). The AWG-LCA, at the same session, requested the secretariat, under the guidance of the Chair in consultation with Parties, to organize a workshop at its third session on “Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries”.¹
2. This note by the Chair of the AWG-LCA, Mr. Luiz Alberto Figueiredo Machado, summarizes the presentations, exchange of views and discussions by Parties at the workshop. Background to the discussions in the workshop was provided by submissions from Parties and observers specific to this workshop.
3. The workshop was held in Accra, Ghana, on 22 August 2008, during the third session of the AWG-LCA, and was chaired by the Chair of the AWG-LCA.

¹ FCCC/AWGLCA/2008/3, paragraph 26.

4. After the opening statement by the Chair of the AWG-LCA, the Chair of the Subsidiary Body for Scientific and Technological Advice reported on progress made in related ongoing work under the Convention on outstanding methodological issues.

5. Presentations were delivered by the following 12 Parties: China, Brazil, the European Community, Ghana, India, Indonesia, Mexico, New Zealand, Norway, Papua New Guinea, Tuvalu and the Bolivarian Republic of Venezuela. After the presentations, interventions were made by representatives of Australia, Malaysia and the United States of America. The workshop was open to all Parties and observers. At the end of the workshop, the following two observers were invited to provide their statements: Climate Action Network International and the Indigenous Peoples Forum on Climate Change of the International Alliance of Indigenous-Tribal Peoples of the Tropical Forests.

6. The presentations were followed by a general exchange of views in which Parties had the opportunity to clarify the ideas presented.

II. Summary of discussions

7. There was a common understanding that the current knowledge of methodological issues was sufficient to initiate discussions on policy approaches and positive incentives. Robust methodologies are important to ensure that emission reductions are real, measurable, reportable and verifiable.

1. Mitigation activities and policy approaches

8. All Parties agreed that, when planning mitigation actions in the forest sector in developing countries, it is important to address reducing emissions from deforestation and forest degradation, conservation, sustainable management of forests and enhancement of forest carbon stocks, as reflected in paragraph 1 (b) (iii) of the Bali Action Plan. Although some Parties stressed the need to focus on issues related to reducing emissions from deforestation and forest degradation in the short term, others emphasized that all aspects should be considered of equal importance. Some Parties expressed the need to link this work with the guidance on measurable, reportable and verifiable actions provided in paragraph 1 (b) of the Bali Action Plan.

9. Parties stated the importance of adopting fair and cost-effective means to reduce emissions from deforestation and forest degradation in developing countries, while ensuring environmental integrity. The view was broadly held that in order for mitigation actions to be effective, participation of stakeholders, local communities and indigenous peoples should be secured.

10. Parties highlighted the importance of mitigation actions from the forest sector in stabilizing global greenhouse gas concentrations. However, some Parties opposed the use of forestry mitigation activities in developing countries to meet emission reduction commitments of industrialized countries. In this context, some Parties considered that the mitigation efforts by developing countries in the forest sector should be additional to the overall mitigation efforts by developed countries, in order to attain the stabilization of greenhouse gas concentrations in the atmosphere.

11. Most Parties mentioned the need for flexible, practical, balanced and comprehensive policy approaches. In addition, to ensure the effectiveness of approaches, participation in any future mechanism should be voluntary and encourage wide participation, taking into account national circumstances and existing policies and initiatives.

12. A specific proposal was presented by one Party for three categories of activities that would comprise a “readiness” phase to allow Parties to prepare for any future mechanism activities; a “scaling up” phase to allow Parties to begin and expand implementation of activities; and a “future regime” phase

that would integrate the actions taken as fully fungible measurable, reportable and verifiable market activities. The proposal indicated that policy approaches should take into account national circumstances and include actions on conservation, sustainable management of forests and enhancement of carbon stocks.

13. One Party suggested that multiple benefits such as payment for environmental services be integrated into policies. It was suggested that this could be possible if implementation were integrated into comprehensive strategies of national sustainable development in developing countries.

2. Positive incentives and/or financing options

14. Parties expressed the view that regardless of the type of positive incentive, any financial mechanism should be effective, sustainable and predictable. They stated that incentives in the form of resource provision and resource mobilization are necessary elements of positive incentives to stimulate action.

15. Views were expressed by Parties on the nature of positive incentives. Some Parties stated that positive incentives should be performance-based, and be supported by diversified funding sources including approaches linked to the carbon market. In this regard, a view was also expressed that the focus should be on monetizing the external global benefits of forest retention to the climate system, when the socially optimal area of forest retention is significantly increased.

16. It was noted that there could be several potential means to finance the mitigation activities discussed. They can be broadly grouped into two main categories: non-market-based financial resources and market-based mechanisms. Many Parties recognized the need for a combination of the two approaches to ensure sustainability of the actions to be undertaken; other Parties suggested that only non-market-based approaches should be used. Some Parties noted that the market-based approach had the potential benefit of involving the private sector in forestry mitigation activities. Regardless of the approach, funding would be required for capacity-building, technology transfer, strengthening governance and enforcement, relevant economic development programmes and demonstration activities.

17. With regard to financing options, a few Parties provided proposals. One Party proposed an international fund based on non-offset market arrangements. The proposed fund could be financed through a levy on international aviation and maritime transport, auctioning allowances under a self-contained cap and trade regime for international transport, a pledged percentage of auctioned national emissions trading allowances or a percentage of assigned amount units auctioned on the international market. Other examples of levies were also highlighted (e.g. a levy on logging and the timber production industry).

18. Another Party proposed a comprehensive approach that would incentivize equally reductions in emissions from deforestation and forest degradation, conservation, and enhancement of carbon stocks equally. It also proposed the following two approaches: a market-based approach for actions leading to change in carbon stocks with provisions to avoid the possibility of flooding the carbon market; and a non-market-based approach for maintenance of baseline stocks that could be funded through a levy on reducing emissions from deforestation and the forest degradation market.

19. In addition, one Party expressed the view that market approaches for reducing emissions could be more appropriately discussed in the context of the second review of the Kyoto Protocol pursuant to its Article 9.

3. Reference emission levels

20. It was mentioned by many Parties that incentives should be based on national reference emission levels, which should be revised periodically and take into account national circumstances. It was proposed by a Party that reference emission levels should be based not only on historical data but also take into account emission trends.

21. Another aspect mentioned by a Party was that perverse incentives should be avoided, particularly in the determination of baselines to estimate deforestation rates. The Party proposed that a development adjustment factor be applied to countries with low deforestation rates.

4. National and subnational approaches

22. Parties expressed the view that national approaches should be aimed for, whereas some recognized that subnational approaches could be a step towards these national approaches in order to address specific national conditions. One Party suggested that although the focus should be on national approaches, transitional solutions that address issues of leakage and risk of non-permanence could be allowed.

5. Capacity-building and other means of support

23. There was a general understanding of the need for immediate support for capacity-building at the individual, institutional and systemic level in developing countries. This includes the need for promotion of both North–South and South–South technology transfer and technical cooperation.

24. Several Parties indicated the need for relevant international organizations, donors and recipient countries to combine efforts, avoid duplication in their work, ensure consistency and enhance cooperation among themselves in order to support efforts by developing countries.

6. Early actions and demonstration activities

25. Parties also expressed views on the significance of early actions and demonstration activities. Some Parties highlighted the need for policy discussions to take into account experiences and lessons learned from ongoing activities, earlier efforts and demonstration activities. Some Parties presented examples of ongoing activities in their countries related to reducing emissions from deforestation from which some lessons could be learned. Some Parties stated that early actions undertaken by developing countries in this area should be recognized and rewarded in any future financial mechanism.

26. Some Parties stressed the need for better understanding of the implications of approaches and actions, referred to in Chapter II, in the context of economic development in developing countries, impacts on other productive sectors and climate change benefits.

III. Possible areas of focus

27. According to many participants, the workshop provided a good opportunity for Parties to present and discuss ideas relating to policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries. Presentations and interventions by Parties reflected areas of convergence as well as differences in views.

28. Several areas of interest emerged in the discussions. These could be further considered by Parties to advance the work and, when necessary, to identify and clearly define possible options for policy approaches and positive incentives. They include:

- (a) Further discussions on how issues related to reducing emissions from deforestation and forest degradation, conservation and enhancement of forest carbon stocks should be addressed when designing policy approaches and positive incentives for developing countries to take mitigation actions in the forest sector;
- (b) Exploring the use of non-market financial resources and market-based mechanisms as policy approaches and positive incentives, including the assessment of the implications of the different options proposed;
- (c) Assessing implications of different options to address issues related to permanence, additionality and displacement of emissions.
