

**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
(Agenda item 3 (b) (iii))**

Informal note

This informal note captures the key views and proposals raised by Parties in the form of framing elements and questions in their consideration of this agenda item. In progressing their work, Parties may wish to further explore and elaborate on the following framing elements and questions, add to them, or remove from them, as appropriate:

Framing elements

- Reference to relevant decisions;
- Other references as needed.

Guiding principles

- Reference to the principles, guidance and provisions set out in decision 1/CP.16 and its appendix I and decision 2/CP.17, such as:
 - Environmental integrity;
 - Transparency;
 - Respect for national sovereignty;
 - Participation in REDD-plus activities is voluntary;
 - Promotion of broad country participation in all phases.
- Additional guiding principles such as simplicity, etc ?

Enabling conditions

- What elements need to be included in a total package of enabling conditions ?
- Adequate and scaled-up financing for phases 1 and 2 is critical to ensure implementation of phase 3.
- Strengthening policy, legislative and institutional frameworks, including addressing drivers.
 - Capacity-building should be included in these frameworks
- Transparent and effective governance, including fiduciary arrangements.
 - How to ensure transparent fund management in the governance framework ?
- Elements identified in 1/CP.16, paragraph 71 to be developed, such as forest reference emission levels/ forest reference levels, a national strategy or action plan, a national forest monitoring system, system for providing information on how safeguards are being addressed and respected.
- Importance of addressing and respecting safeguards.

- Addressing risks associated with investments in results-based REDD-plus actions.
- Additional enabling conditions?
 - Reaffirming and recognizing the diversity of financing options as referred to in decision 2/CP.17
 - What enabling conditions need to be developed at national and international levels ?
Revision of domestic policy of developed countries to incentivize private sector participation ?
 - Non-carbon benefits should be recognized as part of enabling conditions
 - Addressing displacement of emissions and risks of reversals and additionality of actions
 - Development of new approaches such as an incentive level or crediting level to serve as baseline for payments
 - Development of a Joint Mitigation and Adaptation Mechanism which includes a bottom-up process
 - Political will and interagency coordination

Signal

- Type of signal necessary to trigger the scaling up of financing of and investments in results-based REDD-plus actions?
- Higher emission reduction ambitions by developed countries and price of carbon necessary to incentivize scaling up of financing and investments in results-based REDD-plus actions?
- Further work to be referred to the subsidiary bodies?

Additional issues requiring further exploration:

- What is meant by “results-based” actions?
 - Payment for verified emission reductions and removals
 - Setting of an accounting period and pricing of carbon
 - The use of proxies for performance-based results ?
- How to advance the understanding of what the “plus”-part of REDD-plus activities entail?
 - Afforestation/reforestation activities included as part of enhancing forest carbon stocks
- What types of institutional arrangements need to be established (e.g. national and international REDD+ registries, technical panel or regulatory body)? What guidance is needed from the UNFCCC process for such arrangements?
- Options on institutional arrangements which are not mutually exclusive:
 - Links with the Green Climate Fund (GCF)
 - A specific REDD-plus window under the GCF
 - A specific window for the Joint Mitigation and Adaptation Mechanism under the GCF
 - What guidance can be provided to the GCF Board on REDD-plus financing? What signal can the REDD-plus discussions provide to the GCF Board ?
 - Links with the new market mechanism being considered under the AWG-LCA
 - What is meant by “appropriate”?

- How to ensure consistency between REDD-plus financing and the new market mechanism and that REDD-plus would be captured in the development of the new market mechanism?
 - Links between REDD-plus financing and other finance-related issues, such as:
 - Finance, including long-term finance (LTF).
 - Framework for various approaches.
 - A REDD-plus Board
 - REDD-plus units/ REDD-plus credits
 - What is a “REDD-plus unit”? What is a “REDD-plus credit”?
 - Quality of REDD-plus units to be guaranteed by implementation of the safeguards and ensuring environmental integrity?
 - Request the SBI to determine the pricing of REDD-plus units?
 - Do REDD-plus credits relate to market-based performance only or to non-market based performance as well?
 - A registry as a tool to keep track of REDD-plus units
 - What is the role of national and international registries ? How are they linked ? What happens when units are transferred across national borders ?
 - Should there be a link between REDD-plus registry with NAMAs registry? How can such a link be established?
 - Request the SBSTA to develop guidance for the registry and guidance for reporting of monitored emissions and removals achieved from results-based actions ?
 - A Carbon Reserve Bank and a regulatory body under the COP
 - What are the role of these institutional arrangements? For example, the regulatory body to oversee the new market mechanism and ensure the sufficient functioning of the carbon market, ensure pricing and floor prices ? To create a reserve account?
 - Creation of a mechanism for settlement of disputes ?
 - What mechanisms are needed to address risks and reversals ?
 - Creation of an international fund to manage REDD-plus risks
 - Insurance mechanism for addressing risks: how can one be designed ?
 - Creation of a guarantee mechanism as reserves
 - Establishment of REDD-plus units at national and/or subnational levels
 - A UNFCCC Review Body
 - Request SBSTA to provide guidance on the review of reports on outcomes of results-based actions ?
 - Which existing institutions under the Convention would be relevant for ensuring financing of REDD-plus results-based actions?
- Credit for early action?
 - What is meant by early action ?
 - How does early action affect the financing of phases 1 and 2 on readiness ?
 - What should be the start date of early action ? Should the start date be flexible taking into account national circumstances and a country’s phase of implementation ?

- Should the UNFCCC process provide guidance on private sector participation ? How to ensure and catalyze their involvement?
 - Providing a signal to welcome and encourage private sector involvement in the full implementation of REDD-plus actions
 - Enabling conditions needed for private sector participation, such as risk management, strong compliance, structural reforms, strong implementation of safeguards
 - Recognize the role of the private sector in addressing the drivers of deforestation and forest degradation
 - Further exploration of the following:
 - How to enhance coordination between the public and private sectors;
 - What role can the domestic private sector play in the REDD-plus implementing country ?
 - The role of the private sector investments outside the carbon markets
- Whether results-based REDD-plus payments should go beyond carbon benefits to include non-carbon benefits?
 - Recognition that carbon benefits and non-carbon benefits cannot be unbundled from each other
 - Results-based payments should cover both carbon and non-carbon benefits. Would the payment for implementation of safeguards cover payments for non-carbon benefits ?
 - Request SBSTA to consider a work programme on methodological and technical aspects of assessing co-benefits ?
- Further clarification on how the Joint Mitigation and Adaptation Mechanism can be elaborated as part of consideration of non-market approaches?
 - Incorporation of some elements of REDD-plus, that are non-market related, into the Joint Mechanism
 - Consideration of the linkages between the Joint Mechanism and the Nairobi Work Programme
 - Request the SBSTA to initiate, as a specific work stream, consideration of the linkages between mitigation and adaptation, the methodological aspects and institutions for the Mechanism?
 - Request SBSTA to develop the architecture for the Joint Mechanism

Elements for Doha decision

Proposal by the facilitator based on the updated and elaborated informal note

(Framing elements)

Recalling decisions 2/CP.13, 4/CP.15, 1/CP.16, 2/CP.17, 12/CP.17 and [x/C.18] in promoting, encouraging and catalysing the activities referred to in decision 1/CP.16, paragraph 70 and the provision of adequate and predictable support, including financial resources and technical and technological support to developing country Parties;

Recognizing that significant efforts and actions to reduce deforestation and to maintain and conserve forest carbon stocks in developing countries are already being taken outside of the Convention process,

Recognizing the national, bilateral and multilateral support that are being provided outside of the Convention process for the implementation of activities referred to in decision 1/CP.16, paragraphs 70 and 73,

(Guiding principles)

Affirms that the principles, guidance and provisions set out in decision 1/CP.16 and its appendix I and decision 2/CP.17 continue to govern and guide the modalities and procedures for financing the results-based actions referred to in decision 1/CP.16, paragraph 73 contained in this decision;

Notes the need to promote broad country participation in the full implementation of results-based actions referred to in decision 1/CP.16, paragraph 73;

Reaffirms the diversity of results-based finance provided to developing country Parties that is new, additional and predictable that may come from a variety of sources, public and private, bilateral and multilateral, including alternative sources as referred to in decision 2/CP.17, paragraph 65;

(Signal)

Affirms the importance of continuing and scaling-up new and additional results-based finance from developed country Parties for the full implementation of results-based actions;

Option 1

Recognizes that higher ambition of developed country Parties' economy-wide emission reduction targets and price of carbon is necessary to incentivize scaling-up of financing and investments in the full implementation of results-based actions referred to in decision 1/CP.16, paragraph 73;

Option 2

Recognizes that demand for and price of carbon is necessary to incentivise scaling-up of financing and investments in the full implementation of results-based actions referred to in decision 1/CP.16, paragraph 73;

Option 3

Encourages the private sector and private organizations to contribute to the full implementation of results-based actions referred to in decision 1/CP.16, paragraph 73;

(Enabling conditions)

Agrees that enabling conditions for scaling-up and facilitating access to results-based finance and ensuring the full implementation of results-based actions, taking into account national circumstances and respective capabilities and recognizing national sovereignty, should be in place and/or developed by Parties:

(a) Adequate and scaled-up financing for the early phases of actions referred to in decision 1/CP.16, paragraph 73;

(b) Strengthened policy, legislative and institutional frameworks that addresses drivers of deforestation and forest degradation referred to in decision 1/CP.16, paragraph 72;

(c) Transparent and effective governance, including fiduciary and relevant institutional arrangements;

(d) Elements identified in decision 1/CP.16, paragraph 71, decision 12/CP.17 and decision [x/CP.18];

(e) Full implementation of results-based REDD+ actions should be in accordance with methodological guidance set out in decisions 4/CP.15, 1/CP.16, 12/CP.17 and [x/CP.18];

- (f) Measures to address displacement of emissions and risks of reversals;
- (g) New approaches such as an incentive level to serve as a baseline for results-based payments;
- (h) a Joint Mitigation and Adaptation Mechanism;
- (i) (other enabling conditions ...)

Agrees that results-based payments should be based on fully measured, reported and verified emission reductions and removals and enhancement of forest carbon stocks expressed in tonnes of carbon dioxide equivalent;

(Institutional arrangements - Options on institutional arrangements noted below are not mutually exclusive)

Decides to:

Option 1

Establish new institutional arrangements to fulfil the functions to be defined by the Subsidiary Body for Implementation (*refer to relevant paragraph under issues requiring further exploration*);

Option 2

Requests the Green Climate Fund Board to establish a REDD-plus window for the financing of REDD-plus in all phases, referred to in decision 1/CP.16, paragraph 73;

Option 3

Establish a range of new institutional arrangements to record and track fully measured, reported and verified emission reductions and removals and enhancement of forest carbon stocks, to avoid double counting and to address risks of reversals, including:

- A REDD-plus Board;
 - To govern the REDD-plus window to be established by the GCF Board;
 - To work under the guidance and authority of the COP and ensure transparency and consistency with modalities and procedures of existing multilateral and bilateral agencies.
 - To protect developing country parties against market failure through tools such as supporting appropriate price floors.
- REDD-plus registries at the national level and at the international level under the authority of the Conference of the Parties;
 - A national registry to record verified emission reductions and removals that it holds, transfers or cancels and to avoid double counting;
 - An international registry to record and track verified emission reductions and removals and to avoid double counting. To also track units across international borders;
- A Carbon Reserve Bank and a regulatory body under the Conference of the Parties
 - Oversee the new market mechanism;
 - Ensure the efficient functioning of the carbon market;
 - Ensure pricing and floor prices;
 - Create a reserve account:

- Create a mechanism for settlement of disputes.
- A review body under the Convention
 - To review, in accordance with guidance to be developed by the SBSTA, the performance reports on outcomes of results-based actions submitted by developing country Parties.

Option 4

Use and/or establish links with existing or newly establish institutional arrangements and/or financing channels under the Convention to ensure consistency in reporting, recording and tracking and technical analysis:

- Green Climate Fund;
- Long-term finance;
- Registry for nationally appropriate mitigation actions by developing country Parties
- International consultation and analysis;

Option 5

Use new financial approaches, mechanisms and frameworks under the Convention, including a framework for various approaches referred to in paragraph 80 and the new market mechanism referred to in paragraph 83 of decision 2/CP.17;

Option 6

A combination of any of the options noted above which will depend on the scope and nature of the functions of the institutions needed.

(Non-market alternative)

Option 1

Agrees to establish a joint mitigation and adaptation mechanism for the integral and sustainable management of forests under the guidance and authority of the Conference of the Parties, in accordance with decision 2/CP.17, paragraph 67;

Option A

Requests the Green Climate Fund to establish a specialised window for the joint mitigation and adaptation mechanism;

Requests the SBSTA to develop the architecture for the joint mitigation and adaptation mechanism;

Option B

Requests the SBSTA in developing the guidance for the joint mitigation and adaptation mechanism to be consistent with any guidance from ongoing work on adaptation under the Convention and be in accordance with any future decisions relating to adaptation by the Conference of the Parties;

Option 2

Recognizes the ongoing work on adaptation under the Convention and its relevance for joint mitigation and adaptation approaches;

Recognizes the multiple benefits from the implementation of the joint mitigation and adaptation approach;

Encourages bilateral and multilateral financing channels to support the activities using non-market based approaches, such as joint mitigation and adaptation approaches;

(Issues requiring further exploration)

Requests the [SBI] [SBSTA], at its [nnth] session to develop modalities and procedures for the new institutional arrangements referred to above and ways to address risks, and to report on the progress made, including any recommendations for a draft decision on this matter, to the Conference of the Parties at its [yyth] session;

Requests the [SBI] to define functions of the necessary new and/or existing institutional arrangements to guide and support the financing of full implementation of results-based actions referred to in decision 1/CP.16, paragraph 73 and the outcomes of these actions;

Requests the [SBSTA], at its [mmth] session, to consider the need for guidance and methodologies for assessing the co-benefits and non-carbon benefits arising from the full implementation of results-based actions referred to in decision 1/CP.16, paragraph 73 and to assess the potential of including co-benefits and non-carbon benefits as part of results-based payments;

Agrees that fully measured, reported and verified results based actions and their verified emission reductions and removals and enhancement of forest carbon stocks occurring during the period from year [2xxx] should be eligible for results-based payments;
