

## A potential policy approach for reducing emissions from deforestation in developing countries



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## Conclusions from Workshop 1 Presentation

Difficult to differentiate between deforestation and forest degradation

Underlying causes of deforestation and forest degradation are complex

If logging is a major cause of deforestation and forest degradation then leakage is going to be a major factor

If logging is a major cause of deforestation and forest degradation then carbon exchange projects (e.g. CDM-like projects) will not derive any atmospheric benefit

Setting aside reserves in exchange for carbon credits will not create atmospheric benefits unless the causes of deforestation are proximate

Ensuring permanence for reducing emissions activities, even for proximate causes, is difficult and creates many challenges

## *Policy approach*

# **Forest Retention Incentive Scheme (FRIS)**

Established under the UNFCCC and would relate to reducing emissions from deforestation and forest degradation

Three key elements:

- Community Forest Retention Trust Accounts
- Forest Retention Certificates
- International Forest Retention Fund

## *Potential sources of financing*

### **Community Forest Retention Trust Accounts**

Communities that wish to set aside forest areas or manage them on a sustainable basis would seek funding to establish a Community Forest Retention Trust Account (CFRT Account). Sources of funding for the CFRT Account could include:

The Special Climate Change Fund

Bilateral ODA

Corporate sponsorship

NGO contributions

Government contributions (including through debt for nature swaps and other similar measures)

## *Policy Incentives*

The funds received for the forest retention project would be put into the CFRT Account

Community could draw on a prescribed percentage of this Account to establish measures to combat emissions from deforestation and forest degradation

Remaining funds in Trust Account would be set aside

A community could then draw upon the Account on an annual basis

## Forest Retention Certificates

Once the CFRT Account was established communities could apply for **Forest Retention Certificates**. These Certificates would be based on an estimate of the amount of greenhouse gas emissions reduced by the project for a period of time.

This estimate would be based on current emission trends compared with potential actions to reduce these emission trends.

At the end of a prescribed period, possibly 5 years, certificates equivalent to a determined amount of tonnes of CO2 equivalent emissions reduced would be issued.

Certificates could be issued by national governments

Governments issuing certificates would need to report annually to the COP.

A committee established under the COP would be established to ensure that there was not an over-issuance of these certificates.

At the end of a prescribed period of time, possibly 10 years, the area of forest originally set aside or sustainably managed by a community would be assessed by an independent assessor.

An independent auditor would also assess whether the CFRT Account was still in operation.

If the project and the account were endorsed by the assessor and auditor, communities could redeem a prescribed percentage of their Certificates. This process would be repeated every 10 years.



## International Forest Retention Fund (IFRT)

Funding for the redemption of these Certificates would come from an **IFRT** established under the Convention

Redemption of the Certificates would be granted *ex poste*.

Communities could deposit these redeemed Certificates into their CFRT Account or use the money as the community sees fit.

Procedures for assessment and auditing would be kept as simple as possible to minimise transaction costs.

The Certificates could only be redeemed to the International Forest Retention Fund. They cannot be sold, transferred or traded.

## *Data needs and availability*

Communities would need to undertake an initial assessment of deforestation rates, and carbon stored at initial time of funding and ex poste assessments

This would require technical expertise

Communities could draw from the Community Forest Retention Trust Accounts to employ appropriate technicians to undertake assessments

## *Assessment of results and their reliability*

The ex post certificate issuance approach would allow for an assessment of results

The reliability of the assessment would be dependent on the national government issuing the certificates and their annual reports to the COP

Additional measures may need to be incorporated if certificates were being issued without proper assessments

## *Other issues*

### Advantages of FRIS

Does not devalue price of tradable carbon

Does not divert financial resources from major sources of GHG emissions (energy and transport)

Provides resources directly to communities where deforestation and degradation occurring

Implications of leakage less significant due to non-linkage to carbon market

Trust funds give opportunity for long term funding and help address permanence issues

Does not upset Marrakech Accords, therefore eligible for early action

Less likely to infringe on the rights of Indigenous and local communities

As it is not linked to CDM, reduces pressure on Annex B countries to significantly increase their targets to offset against RED removals

## *Other issues*

### Disadvantages of FRIS

May not address non-proximate causes of deforestation and degradation

Limited to voluntary sources of funding

May not address leakage if leakage is due to non-proximate causes of deforestation and degradation

The Forest Retention Incentive Scheme is not fool proof and could be undermined by unscrupulous players.

Quarantining the Scheme from any carbon trading system may remove some of the incentives to fraud the system.

It will hopefully provide the necessary incentives to reduce emissions from deforestation and forest degradation.

