Reducing Emissions from Deforestation in Developing Countries

UNFCCC Workshop

Cairns, Australia

7-9 March, 2007

Coalition for Rainforest Nations

Key Messages

- **Deforestation:** Reducing rates of deforestation is possible and urgently needed.
- **Sustainable Development:** Catalyze gains toward climate stability, poverty reduction, biodiversity conservation, and sustainable economic development.
- **Funding is Available:** Principle of proportionality: policy dedicating 20% of emissions markets trades would provide revenues at necessary scale: $5 - $25 billion per year.
- **Technology and Methods:** IPCC Guidance and Guidelines could be utilized immediately. Allows all countries to participate. Conservative. Improve accuracy over time.
- **Mitigation Costs:** Dramatic action is possible now. Will reduce overall mitigation costs significantly.

Policy Approaches

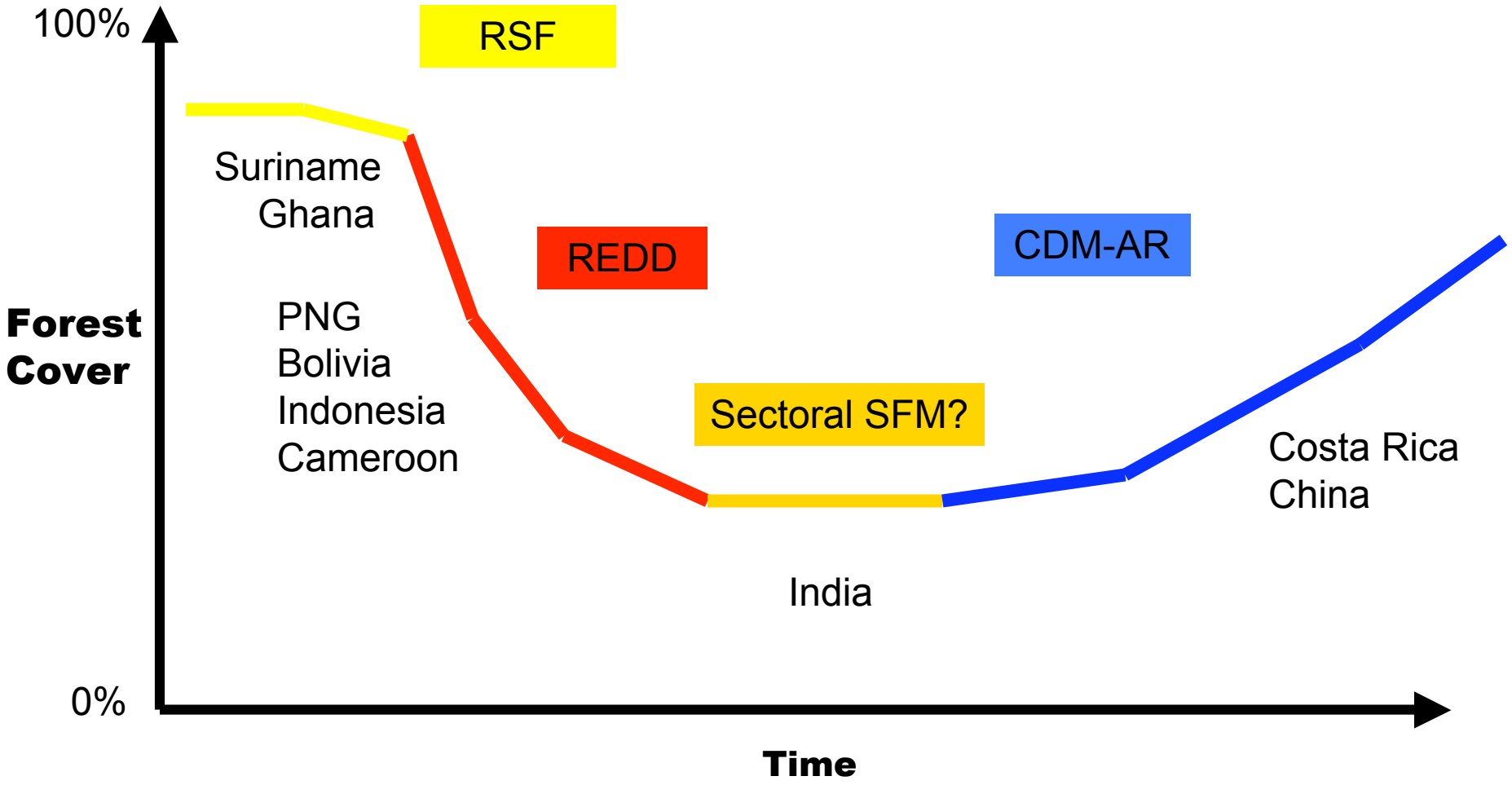
- **Pre-Condition:** Funding at scale: $5 - $25 B/y. Markets instruments most likely. If so, deepen Annex-B Targets. Any new supply must be met by new demand.

- **Expand Existing Efforts:** Build on Successes and lessons learned in both Annex and Non-Annex. Build Capacity. Pilot National Scale.

- **Credits for Early Action:** Facilitate funding flows. Pre-2012 emissions reductions can be credited post-2012.

- **Sustainable Financial Resources:** Traditional monies not sustained, not adequate. Countries need certainty to begin transformations

Forest Cover Trends

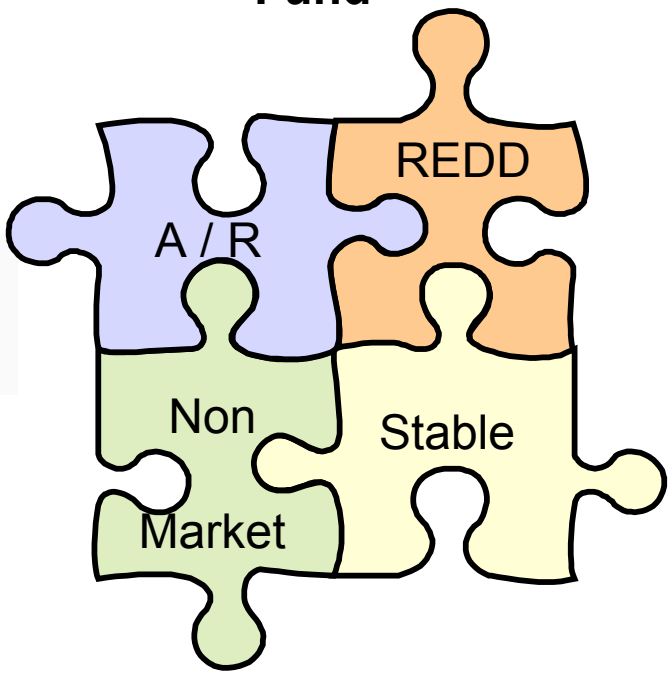


Positive Incentives

- **REDD Enabling Fund**
  - Capacity, Technology & Methods
  - Pilot Non-market/ODA funds
  - Pilot REDD Mechanism
  - Pilot REDD Stabilization Fund
- **REDD Mechanism**
  - Incentives at necessary scale for voluntary reductions in emissions from deforestation at a national level (markets.)
  - Conservative, spatially-explicit, transparent estimates
  - Relies on existing tools (IPCC Guidance and GPG)
- **REDD Stabilization Fund**
  - Support Conservation Efforts & Emissions Migration
  - Finance must be sustainable & sufficient (e.g. levies, taxes)

Positive Incentives
Basket of Instruments

REDD Enabling Fund



COP-13

Marrakesh Compliant

2008

2012

REDD (National)	Reforest (Project)
REDD Stabilization (Conservation over Displacement)	
Non – Market Fund	

Market

Blend

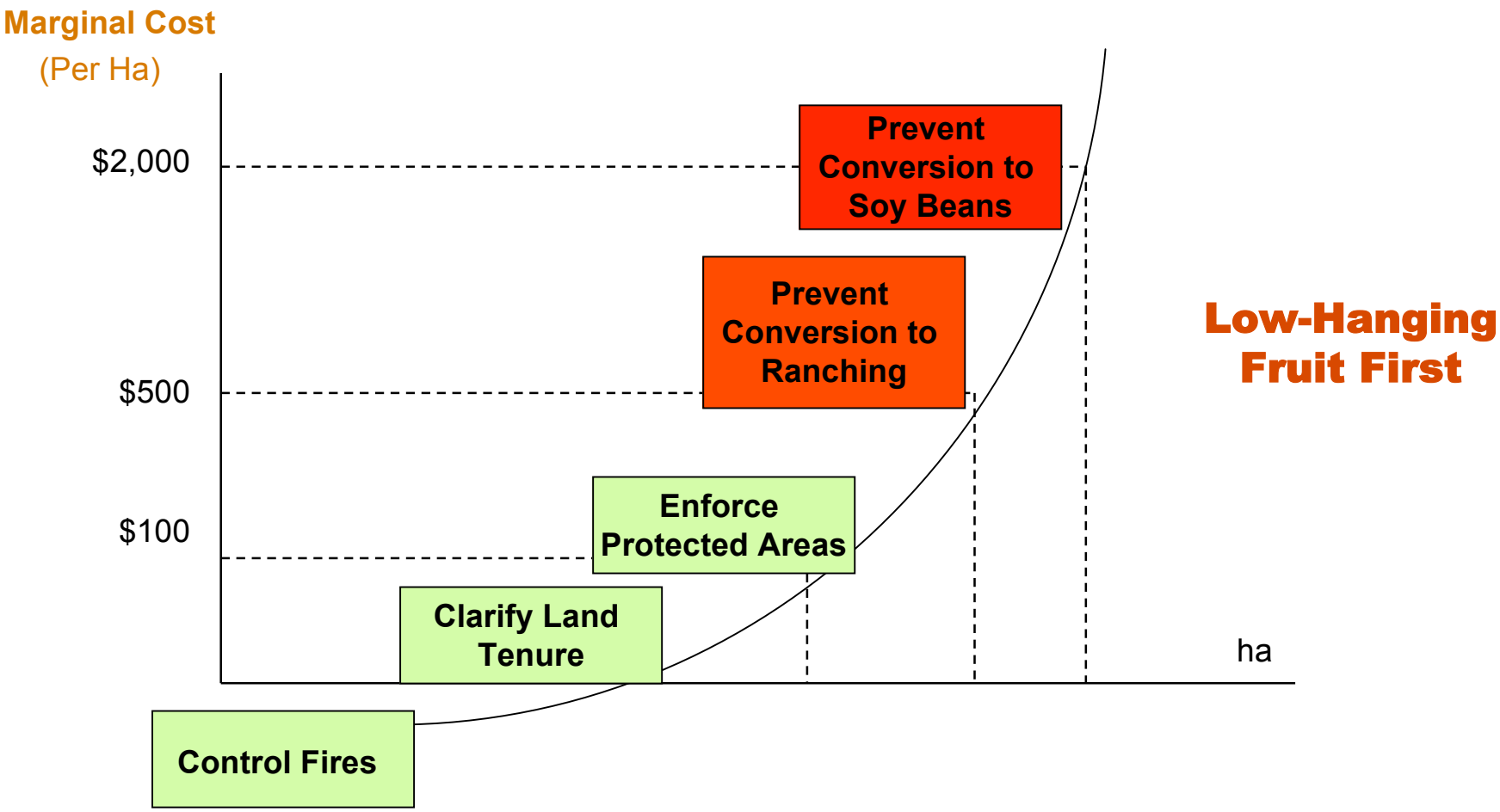
Non Market

Positive Incentives
REDD Mechanism

- **REDD Credits**
  - Fully fungible
  - Measured against a National Reference Scenario (RS)
- **Reference Scenario (RS)**
  - Finite past Reference Period (RP)
  - A minimum of 5 years, preferably more
- **Reference Emission Rate (RER)**
  - Calculated for reference period (RP) using:
    - **Activity Data** (deforestation)
    - **Emissions factors** (carbon emitted per unit area)
- **Development Adjustment (DA) Factor**
  - Applied to RER
  - Allows national circumstances to be considered
  - Meets principle of common but differentiated responsibilities

Positive Incentives

Land Opportunity Cost



Positive Incentives
Price vs. Objectives

Price

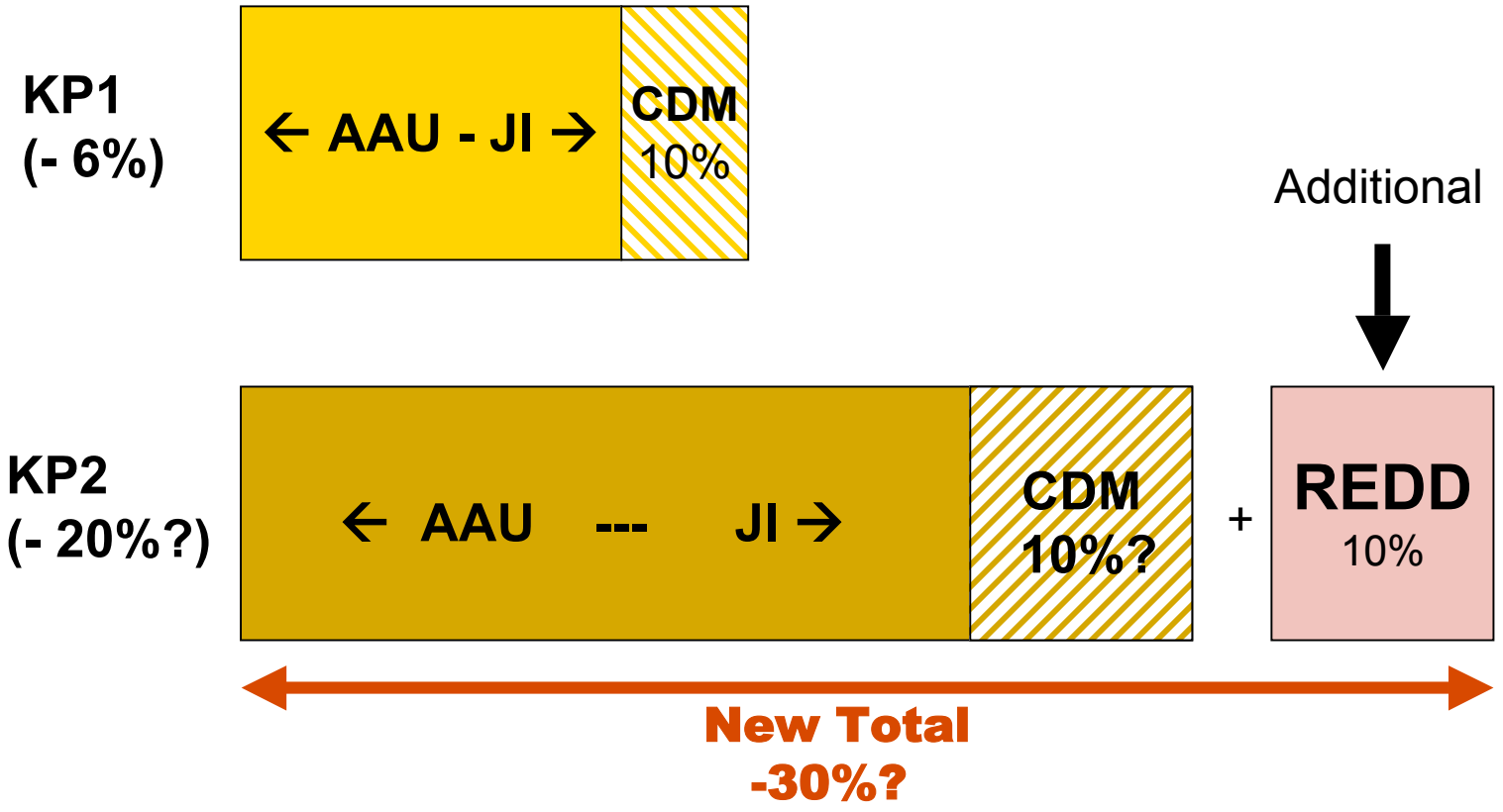
- **AAU/ERU**
  - National
  - Fixed targets
  - Minimal transactional risk
  - Higher ‘atmospheric value’
- **REDD**
  - Voluntary Reductions
  - National Scale
  - Performance Risk minimized
  - High ‘atmospheric value’
  - Higher ‘Social value’

Organic or Fair Trade

- **CER**
  - Positioned as ‘cheap’ mechanism
  - Carries ‘performance’ risk – buyer must replace credit
  - Lower ‘atmospheric value’ – supplemental credit

Atmospheric & Social Objectives

Additional: Deeper Cuts



NEW CREDITS = DEEPER CUTS

Performance Risk

- **Permanence**
  - Trust Structures (principle & interest issues)
  - Banking Mechanism (Banking ratio driven by confidence intervals)
  - Reference Period Carry-Over (Banking or Loss of Incentive)
  - Temporary Credits (Driven by pricing)

- **Performance Liability**
  - Seller Carries Performance Liability (Buyer's Risk in CDM)
  - National risk vs. Project Risk
  - Ex-Post Crediting

Reporting & Compliance

- **UNFCCC Secretariat**
  - Periodic Reviews
  - Independent Verification
- **Evaluation & Verification**
  - Reference Scenario
    - Reference Emissions Rate
      - Reference Period
      - Activity Data and Carbon Stock Estimates
    - Development Factor
  - REDD
    - Activity Data
    - Carbon Stock Estimates

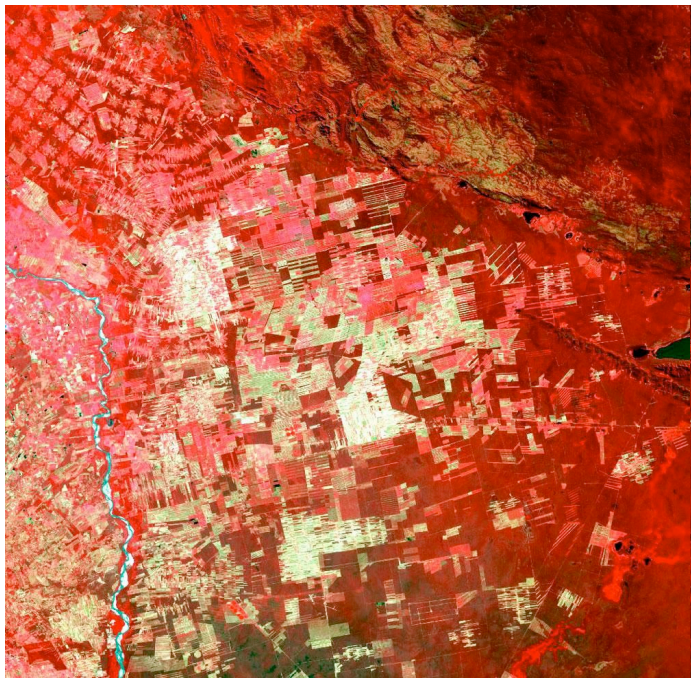
Methods
IPCC Guidance & GPG

Constraints

- Geographically explicit data
- Archived satellite remote sensing data
- Estimate using Approach 3 of the IPCC Guidance & GPG.

Advantages

- Data generally available
- Transparent
- Verifiable
- Cost effective
- Worldwide applicable



2000

Methods
Gross Emissions

- **Data Availability:** The lack of data on carbon pools will not preclude Parties to participate in REDD.

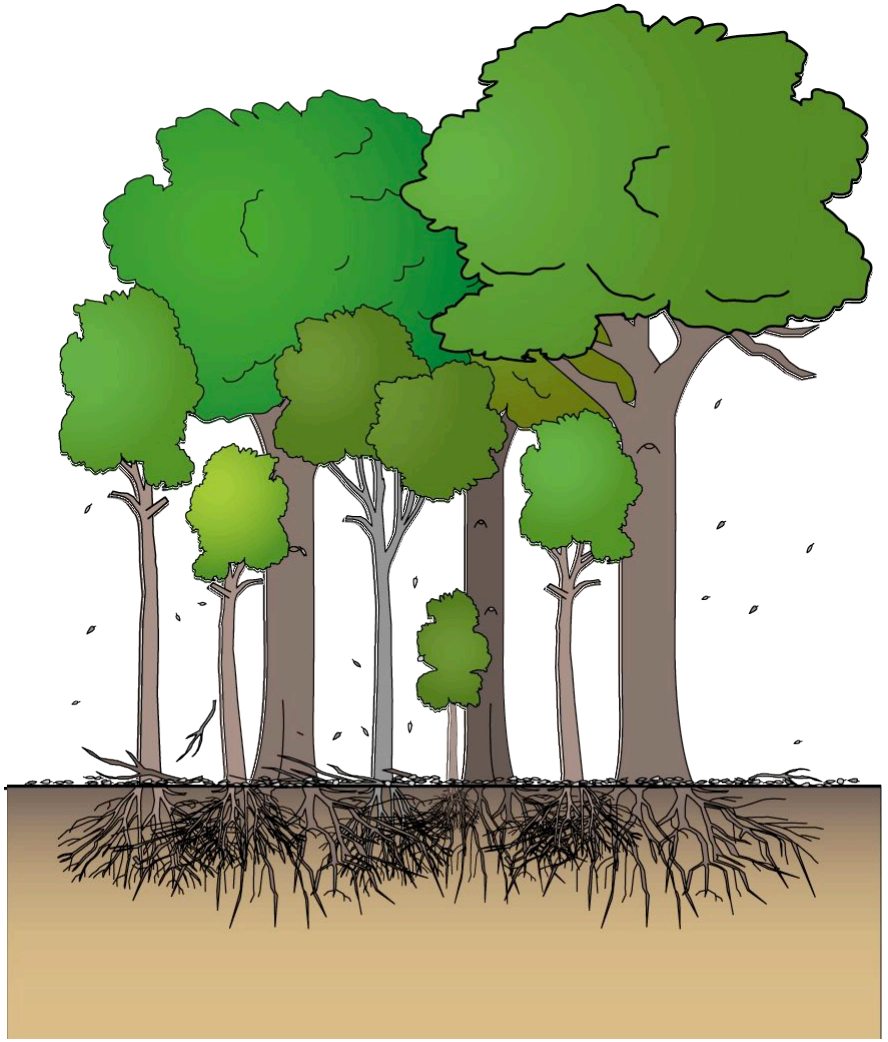
- **Dealing with Uncertainty:** The resulting estimate of total reduction of emissions, although not accurate, will be conservative.

- **Conservative Approach:** Already under KP. Required amount of data necessary to participate to REDD will be considerably less as compared to “accurate” estimates. (e.g. a country may participate even with no reliable data on some carbon pools)

Methods

Forest Carbon Stocks

In forest, carbon is present in different carbon pools



Above-ground biomass

Litter and soil

Below-ground biomass

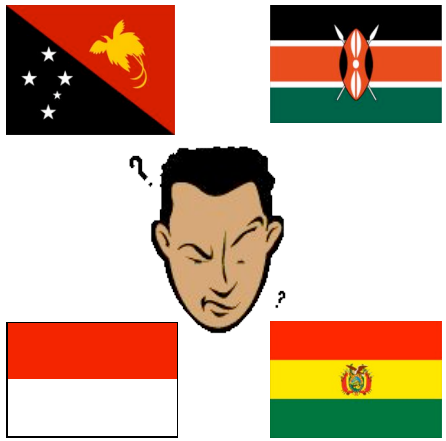
Methods

Data Reporting: Tier 1

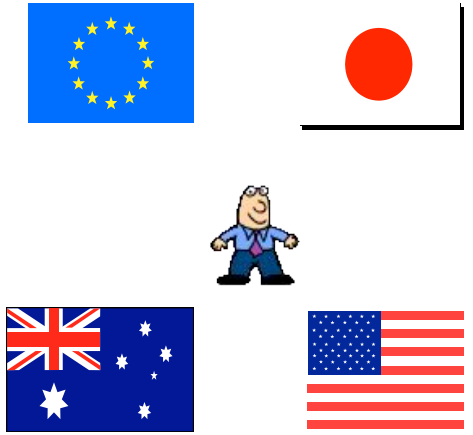
IPCC GPG TIER 1: only on above-ground biomass carbon pool

(lack of data)

Non-Annex B Parties under REDD



Annex B Parties under KP art. 3.3



*are going to **underestimate** their **avoided emission** at least of 30%*

(no reporting on preserved carbon in below-ground biomass and soils carbon pools)

*are going to **underestimate** their emission at least of 30%*

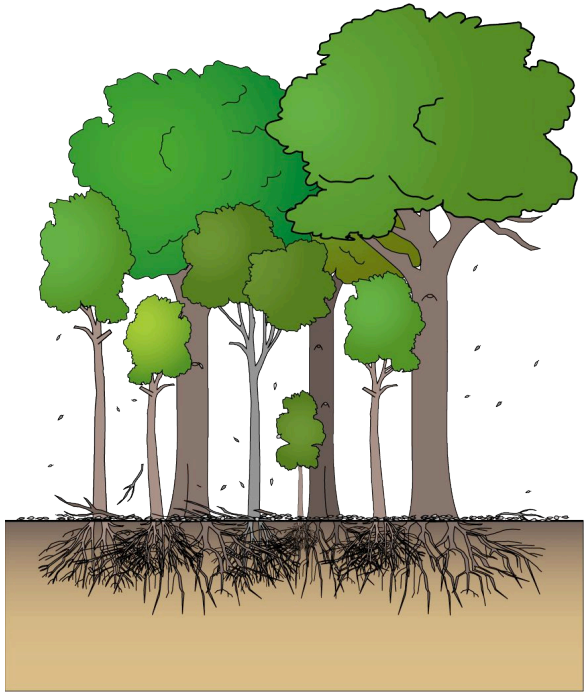
(no reporting on emission from below-ground biomass and soil carbon pools)

Methods

Data Reporting: Tier 3

IPCC GPG TIER 3: **on all carbon pools** *(good data availability)*

Are going to correctly estimate their ***avoided emission***



Are going to correctly estimate their emission

Outcomes for the Process

- Acknowledgement that REDD can support sustainable development objectives and revenues must be at appropriate scale
- Recognition of differing national circumstances related to forested areas and their contribution to climate stability
- Identification of basket of voluntary policy approaches and positive incentives with associated methodological requirements
- Formalize emphasis on the application and refinement of existing methodological standards
- Formalize ‘pilot activities’ and call for the establishment of the necessary resources to enable analysis, capacity and early action.
- Establish legal framework to credit ‘early action’ (pre-2012.)