



**FEDERATIVE REPUBLIC OF BRAZIL  
MINISTRY OF EXTERNAL RELATIONS**

**Department of Environment and Special Affairs**

**Division of Environmental Policy and Sustainable Development (DPAD)**

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**BRAZILIAN PERSPECTIVE ON REDUCING EMISSIONS FROM DEFORESTATION**

**INTRODUCTION**

Brazil welcomes the opportunity to present views on policy approaches and positive incentives to reduce emissions from deforestation in developing countries, provided in FCCC/SBSTA/2006/L.25, paragraphs 5 and 6. The views presented in this submission are a further elaboration of Dialogue working paper 21 (2006) presented at the COP-12 session of the Dialogue on Long-Term Cooperative Action to Address Climate Change by Enhancing Implementation of the Convention, as well as of the elements presented during the first SBSTA workshop on this topic, held in Rome, Italy, from 30 August to a September 2006.

Brazil is hereby providing elements for a proposal focused on policy approaches and positive incentives to reduce emissions from deforestation in developing countries. The proposal does not attempt to cover all technical and scientific aspects involved.

**SCOPE**

The analysis of policy approaches and positive incentives for reducing emissions from deforestation in developing countries is based on the understanding that these issues are to be further considered solely under the Framework Convention on Climate Change. Therefore, Brazil does not envisage any mechanism that could be used by Annex I countries to meet their quantified greenhouse gas emission limitation and reduction commitments under the Kyoto Protocol. In this context, emission reductions achieved are to be considered additional to emission reduction by Annex I countries. The proposal is not, therefore, linked to the concept of

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maintenance of carbon stock on forest land, such as in the concept of "avoided deforestation" or "conservation", but rather is based on effective reduction of emissions from deforestation.

The possible adoption of an arrangement related to providing positive incentives for reducing emissions from deforestation in developing countries, under the auspices of the UNFCCC, aims at contributing to the ultimate objective of the Convention, which is the achievement of the stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with climate change.

Brazil acknowledges the importance of considering issues related to stimulating further action that could result in reducing emissions in developing countries, as the UNFCCC, in its article 4.1, establishes that all Parties, taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances, shall, among others, implement actions according to paragraphs 1(b) and 1(c).

The UNFCCC recognises clearly that the emissions of non-Annex I Parties are expected to grow so as to accommodate their needs for development. It also states that the extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties.

The proposed arrangement and related efforts undertaken by developing countries to reduce emissions from deforestation in their territories can only be characterized as voluntary and,

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therefore, cannot generate future obligations, goals, targets or timeframes. Brazil does not intend to suggest or support the implementation of a mandatory regime in this respect.

In accordance with the principle of common but differentiated responsibilities of countries, developing countries do not have quantified commitments to reduce or limit their anthropogenic emissions of greenhouse gases. There are, however, many programs being implemented on a national basis by developing countries that result in a considerable reduction of their greenhouse gas emissions.

The discussions on this issue in the UNFCCC should focus on the establishment of an arrangement, within the Convention, to provide positive incentives to developing country Parties. Such incentives should encompass the provision of new and additional financial resources and transfer of technology, as well as means for capacity-building and enhancement of endogenous capacities. Brazil is proposing an arrangement which is simple and transparent.

## OVERVIEW OF THE ARRANGEMENT

The main objective of this proposal is the development of an arrangement under the Framework Convention on Climate Change aimed at providing positive incentives for the net reduction of emissions from deforestation in developing countries that voluntarily reduce their greenhouse gas emissions from deforestation in relation to a rate of emissions from deforestation (RED).

The proposal is based on the distribution of financial incentives to countries that demonstrate, in a transparent and credible manner, a reduction in their emissions from deforestation. These financial incentives should be provided by Annex I countries that

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voluntarily engage in the arrangement, and shall be new and additional to financial resources provided for other activities (according to Art. 4.3 of the UNFCCC).

The proposal should assist countries interested in obtaining positive incentives to reduce emissions from deforestation through better implementation of new and existing national public policies and measures. Transparency on the use of the positive incentives within the government structure is a key aspect of the proposal.

Participating countries are entitled to financial incentives from the arrangement after they demonstrate, in a transparent and credible manner, that they have reduced their emissions from deforestation. This approach is based on demonstrable reduction of emissions from deforestation, or *ex-post* results.

The positive incentives system should be based on a comparison between the rate of emissions from deforestation (RED) for a certain past time period (see "Methodology") with the reference emissions rate (RER). This should be achieved through a transparent, consistent and scientifically-based method.

The incentive will be quantified taking into account the reference emissions rate:

- if emissions from deforestation have decreased, the difference is converted into a financial incentive to be received (credit); and

-if emissions from deforestation have increased, the difference is converted into an amount to be subtracted (debit) from future financial incentives to be received.

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The amount of the incentive per carbon tonne is to be calculated by a set amount to be agreed and to be reviewed periodically.

All the reduced emissions of a country are to be added together for an agreed period, and the total reduced carbon tonnes is to be converted into a monetary sum, divided among the participating developing countries in the same ratio as the emissions reductions they have achieved.

Financial incentives should be received only when this net accounting results in a number below the RER. In this case, this number should be converted into an monetary sum . The positive incentives will be provided by developed country Parties, taking into account their obligations under the UNFCCC.

The proposal is based on actual demonstration of reduced emissions from deforestation, relative to a reference emission rate, built on the basis of past emissions from deforestation. Hence, it does not recognize "virtual" emission reductions resulting from a projected deforestation rate, such as those from the avoided deforestation concept.

Countries that voluntarily participate in the arrangement should be able to develop public policies and measures to reduce emissions from deforestation. It must be stressed that consistent emission reductions from deforestation requires continuous investments.

At the start of the implementation of the arrangement, two categories of countries are likely to emerge: (1) countries that are ready for a prompt start; and (2) countries that require capacity-building and enhancement of endogenous capacities and technology transfer to adequately implement their policies and measures to reduce emissions from deforestation. Adequate efforts

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to ensure financing for capacity-building and technology-transfer for category 2 countries should be pursued, including through relevant multilateral financing institutions as well as voluntary contributions from Annex I countries.

The proposal does not envisage the creation of a new bureaucratic structure. It would only entail the identification of a focal area, within the UNFCCC secretariat, to manage the relevant data and information produced by the participating countries (e.g., on reference emission rates, on annual emissions from deforestation, national forest cover).

The monitoring of the reduction in emissions from deforestation shall be based on a transparent and credible system that reliably provides estimates of the annual emissions from deforestation, by biome. All data and information shall be disclosed publicly, and should allow for the analysis of data of the estimated reduction from deforestation by all interested stakeholders.

## METHODOLOGY

The steps below summarize the methodological aspects of the proposal, which should be followed by the participating developing countries:

Step (1): identify all the forested land in the country, per biome type. Provide the definition used to define forest, and indicate how this definition relates to that used for reporting to the FAO, and to that used for estimating carbon dioxide emissions and removals from forests in the National Communications to the United Nations Framework Convention on Climate Change (UNFCCC).

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Step (2): estimate the mean carbon stock for the forest land identified in Step 1, by type of biome, or forest physiognomy, if applicable. In doing so, reliable published scientific sources shall be used.

Step (3): provide the definition of deforestation, consistent with that used in the National Communications to the United Nations Framework Convention on Climate Change (UNFCCC). Indicate which carbon pools are traditionally assessed.

Step (4): estimate the deforestation reference emission rate (RER) for the different types of biome identified in Step (1), on the basis of the emissions from deforestation in the last 10 years. This estimate shall be consistent with the definitions provided in Step (3). Different reference emission rates can be established for different types of biome, if applicable.

The estimate of the RER shall be based on two variables: (1) the mean area deforested; and (2) the mean carbon stock in aboveground biomass in the deforested areas.

The estimate of the mean area deforested in the last 10 years shall be done using objective and transparent sources of data (e.g., remotely sensed data of adequate spatial and spectral resolution, sound sampling design, etc.). The approach used to estimate the mean area deforested shall be documented and made available through the UNFCCC.

The mean carbon stock in aboveground biomass shall be estimated using national data or data from internationally recognized sources (e.g., FAO), and shall represent a value for the entire forest land, or individually for the different types of forest physiognomy or biomes identified by the country, if applicable. The procedures used to define the mean carbon stock in aboveground biomass shall be documented and made available through the UNFCCC.

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in order to estimate the RER, a minimum of 4 representative years need to be assessed [e.g., time  $t_0 = 0$  (year of the start of the arrangement),  $t_0 - 2$ ,  $t_0 - 6$ ,  $t_0 - 10$ ]], and the corresponding deforestation emission rate estimated. The first assessment  $t_0 = 0$  needs to be carried out at the year of implementation of the arrangement within the UNFCCC. The assessments cannot be made in sequential years.

Step (5): find the mean and standard deviation of the four data points above, and provide a confidence interval of 95% for the "true" mean deforestation emission rate, following the guidance in Annex I.

Step (6): assume as the RER the lower limit of the confidence interval defined in Step (5).

Step (7): assess the annual emissions from deforestation, RED. Note that the same methodological approach as that used to define the deforestation reference emission rate (RER). If satellite imagery is used to assess the deforested area, participating countries need to ensure that a reduced area is not the result of areas that could not be assessed due to the presence of cloud cover.

Step (8): If for any given year the annual emissions from deforestation (RED) falls below the deforestation reference emission rate (RER), the participating country is eligible to receive financial positive incentives. In case RED falls above the RER, the participating country is not eligible. In addition, the positive difference,  $\Delta D = RED - RER > 0$ , shall be discounted from the next RED that falls below the deforestation reference emission rate. A financial incentive is provided only if this difference is negative. Suppose, for instance, that for year  $t$ ,  $\Delta D = RED - RER > 0$  and that at time  $t+1$ ,  $\Delta D_{t+1} = RED_{t+1} - RER < 0$ . At time  $t+1$ , the net

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emission reduction is  $\Delta D_{N,t+1} = \Delta D_{t+1} - \Delta D_t$ . Financial incentives are provided in case  $\Delta D_{N,t+1} < 0$ , proportional to this net reduction in emissions. In case  $\Delta D_{N,t+1} > 0$ , the country is not eligible for financial incentives. This quantity shall be deducted from the next assessment of the annual emissions from deforestation, if it falls below the RER.

Step (9): the deforestation reference emission rate (RER) shall be recalculated every three years, as the average of the three last RED values. This re-calculated value for the RER shall only be applied IF it falls below the previous deforestation reference emission rate.

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