

23 October 2007

ENGLISH ONLY

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

SUBSIDIARY BODY FOR SCIENTIFIC AND TECHNOLOGICAL ADVICE

Twenty-seventh session

Bali, 3–11 December 2007

Item 5 of the provisional agenda

Reducing emissions from deforestation in developing countries: approaches to stimulate action

**Views on issues related to further steps under the Convention related to
reducing emissions from deforestation in developing countries:
approaches to stimulate action**

Submissions from Parties

Addendum

1. In addition to the 10 submissions contained in document FCCC/SBSTA/2007/MISC.14, two further submissions have been received.
2. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the language in which they were received and without formal editing.

* These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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PAPER NO. 1: AUSTRALIA

Views on issues related to further steps under the Convention related to reducing emissions from deforestation in developing countries: approaches to stimulate action (FCCC/SBSTA/2007/L.10)

Submission by Australia

Introduction

The twenty-sixth session of the Subsidiary Body for Scientific and Technical Advice (SBSTA-26) invited Parties to submit to the secretariat their views on issues related to further steps under the Convention related to reducing emissions from deforestation in developing countries: approaches to stimulate action. Australia welcomes the opportunity to provide its views on this issue.

Principles of an Agreement

Australia considers that it is imperative for the international community to agree in Bali to take significant steps to support reductions in emissions from deforestation. The COP needs to agree a clear time-frame for negotiating a mechanism to provide incentives to developing countries to reduce emissions from deforestation, as well as agreeing frameworks for providing support for capacity building and for resolving remaining technical issues. A decision should also:

- Recognise that deforestation and forest degradation make significant contributions to global anthropogenic greenhouse gas emissions, and that there is therefore a strong need for global action;
- Recognise that the causes for deforestation differ between countries and that actions to reduce emissions from deforestation must be sensitive to different national circumstances;
- Acknowledge that developing countries will need support to take action, including through capacity building and effective transfer of relevant technology, as well as through the provision of incentives to support emission reductions from deforestation.
- Agree that national baselines will provide the basis for developing a transparent and consistent approach to reducing emissions from deforestation and also agree a robust and timely process to resolve outstanding technological issues, particularly those associated with forest carbon monitoring and accounting.

Encouragement for additional activities

Parties should also note that countries and institutions are already undertaking projects and activities to address emissions from deforestation and that these operate in parallel to the UNFCCC process. Australia believes that these activities are potentially very valuable, particularly as they can support and inform each other in mutually iterative fashion. These activities are also part of a process of learning by doing and will provide useful input into further UNFCCC negotiations, as well as delivering early additional support for increased capacity building in developing countries. Key activities include:

1. *Establishment of a Global Carbon Monitoring System*

Australia notes the importance of underpinning global efforts to reduce emissions from deforestation with accurate and standardised monitoring and reporting. This is why Australia is supporting the development of the Global Carbon Monitoring System under our Global Initiative on Forests and Climate (please see miscellaneous submission for more details). A global system for monitoring forest carbon would support the development of mechanisms for emissions reductions, including by ensuring actions are assessed on an equal footing, and giving sufficient certainty to those providing incentives. It would also ensure the institutional capacity to assess leakage within countries' borders,

as well as internationally, and would foster a consistent approach to related issues such as permanence and forest degradation.

Australia recognises that a number of countries and institutions have capacity to contribute both nationally and within their regions to such a system, and therefore is promoting a 'bottom-up' approach, aimed at bringing together existing regionally based operations and expertise to create a Global Carbon Monitoring System.

2. *Role of practical action*

Australia recognises that there remain outstanding technical and methodological issues that will need to be resolved prior to an effective agreement on reducing emissions from deforestation. Australia encourages other Parties to continue to consider the remaining technical challenges as they gain practical experience in developing and implementing actions to reduce emissions from deforestation, and to gauge the potential of expanding their support to ongoing activities to reduce emissions from deforestation. As a result of taking practical action with countries in our region to reduce emissions from deforestation through the Global Initiative on Forests and Climate, Australia and other countries in our region are improving our collective technical capacities to monitor the results and address remaining methodological issues. Such experiences can be and are informed by actions already taken, and can provide potentially useful inputs to the UNFCCC's consideration of how to reduce emissions from deforestation.

Global Initiative on Forests and Climate

Submission By Australia

In March 2007, Australia launched the Global Initiative on Forests and Climate. The aim of this \$200 million initiative is to reduce greenhouse gas emissions from deforestation in developing countries by:

- Helping reduce destruction of the world's remaining forests;
- Supporting new forest plantings;
- Promoting sustainable forest management; and
- Encouraging action by other countries.

From 23 to 25 July 2007, Australia hosted a High Level Meeting on Forests and Climate. This meeting, which was attended by ministers and senior officials from 63 countries and representatives of international organisations, shared ideas on approaches to address the challenge of deforestation. At this meeting, Australia also announced that it will lead development of a Global Carbon Monitoring System, as well as supporting the World Bank's and Indonesia's efforts to reduce deforestation.

The Chair's summary for Day 1 of the meeting is below. More information is available at <http://www.greenhouse.gov.au/international/forests/index.html>

Please also find below further information on the Global Carbon Monitoring System.

1) *Outcomes of High Level Meeting on Forests and Climate*

Australia hosted a High Level Meeting on Forests and Climate from 23-25 June in Sydney. The Meeting was attended by ministers and senior officials from over 60 countries, together with representatives of key international organisations including the World Bank, the Centre for International Forestry Research, and business, industry and environmental non-government organisations.

The Meeting heard that climate change is a global challenge, and that avoiding deforestation will be an important part of the solution.

The Meeting heard that the world's forests play a vital role with respect to climate change because they sequester and store large amounts of carbon. Many participants stressed the importance of maximising the carbon stored in the world's forests and avoiding emissions from deforestation.

The Meeting also heard that efforts to preserve forest cover and enhance carbon stocks through sustainable forest management practices are underway in many developing countries. Several developing countries including Brazil, China and Indonesia related their recent successes in avoiding deforestation. These efforts are delivering co-benefits such as preserving habitats and biodiversity, improving water and air quality, and reducing land degradation and soil erosion as well as providing revenue streams for the benefit of local communities.

The Meeting heard that much more needs to be done. Indeed, a central theme that emerged from discussions is the pressing need for faster, practical action.

The Meeting heard that the challenge of sustainable forest management and avoiding deforestation is significant and complex, but this complexity should not be considered a reason for not acting.

The Meeting heard of the need to address poverty so that people's livelihoods are enhanced by policy approaches on sustainable forest management.

Some meeting participants noted that avoiding deforestation can deliver substantial reductions in greenhouse gas emissions at low cost and that these reductions can be made now. Others noted that costs can vary in response to local circumstances and that transaction costs need to be factored in.

Deforestation is a policy, governance and market failure. Participants noted that different countries and regions experience different opportunity costs for avoiding deforestation, as highlighted by the problem of illegal logging in many countries.

Drivers for deforestation include the conversion of forested land to agriculture and perverse incentives such as palm oil development. The Meeting heard that commercial use of timber does not necessarily lead to deforestation but is often accompanied by road access and associated development that can lead to degradation and fire risks.

The Meeting heard that information gaps on sustainable forest management remain and need to be addressed. Many speakers underlined the need for capacity building to enhance developing countries' ability to monitor forest cover, measure carbon stocks, improve the sustainable use of their forests and monitor deforestation activity.

Some participants observed the need to ensure that sustainable forest management approaches are underpinned by sound legislative and governance arrangements. Land ownership in some countries is ambiguous and contested. It is important that local communities are engaged in sustainable use of forests and rewarded as the stewards of forest estates. The creation of property rights may be a way to significantly reduce illegal logging.

The Meeting also heard of the need for community based forest management and the need to engage local businesses and industry in developing solutions to the problem. Eco-tourism may offer a way to bridge the economic gap for local communities.

Some estimates suggest that the scale of investment needed to reduce deforestation and illegal logging is in the order of between five and 25 billion US dollars per year.

Funds for positive incentives will also come from measures like Australia's \$200 million Global Initiative on Forests and Climate, the UK International Environment Transformation Fund, the German Forest Cooperation, the United States' debt for nature programmes through its Tropical Forest Conservation Act and the World Bank' proposed Forest Carbon Partnerships Facility, as well as other multilateral sources.

Many participants observed that effective action to reduce deforestation needs to be approached within a framework of national, regional and local sustainable forest management plans. These plans need to encompass forest conservation, sustainable commercial use of forests, and expansion of forest plantation areas.

Discussion centred on how best to engage the private sector and leverage the necessary levels of investment. Some participants thought this could be done through approaches that preserved forested areas for conservation while allowing other areas to be utilised in a sustainable way that provides revenue to local communities. Other participants highlighted carbon crediting approaches including emissions trading as a key means of leveraging private sector investment at the scale needed to place forest management on a sustainable footing.

Some participants noted that significant risks to carbon crediting arrangements remain, including addressing leakage and lack of permanence.

Some participants suggested that pilot projects were a means of testing on the ground action on avoided deforestation approaches and enhancing sustainable forest management. Such pilot approaches could examine the feasibility of carbon crediting arrangements while monitoring possible leakage effects.

Several presentations and discussions highlighted the importance of a robust approach for measuring and monitoring forest cover and forest carbon stocks. This is essential for accountability, to protect the integrity of national and local efforts, and to build confidence among investors.

Countries that have well developed national baselines for their forest sectors are in a better position to take action on deforestation and deal with risks like leakage and lack of permanence. Remote sensing and satellite monitoring, in conjunction with on the ground carbon accounting techniques, offer an effective and cost effective way of setting national baselines and monitoring real time changes in forest carbon stocks.

The Meeting heard that the UNFCCC and Kyoto Protocol do not currently provide positive incentives for sustainable forest management and avoiding deforestation in developing countries. Avoided deforestation activity is not eligible under the Kyoto Protocol's Clean Development Mechanism and to date there have been few reforestation projects.

The Meeting was told of the key role of the Rainforest Coalition of Countries in reinvigorating discussions on sustainable forestry and avoiding deforestation in the UNFCCC.

Some participants expressed the view that approaches road-tested through the Global Initiative on Forests and Climate and the World Bank's Forest Carbon Partnership Facility could support and inform work under the UNFCCC as well as assisting with the development of post 2012 approaches to deal with forests and climate change. The link between sustainable forest management and adaptation should be addressed in future approaches.

Australia looks forward to working with governments, international organisations and development bodies to find ways to pool resources (financial, research and information) to tackle deforestation. This could include:

1. collaborating to identify, develop, finance and implement priority activities to avoid deforestation and improve forest management;
2. improving forest management and addressing illegal logging;
3. strengthening regulatory and legal protections forests; and
4. recognising the importance of avoiding deforestation in a manner that enhances the sustainable use of forest resources and diversifies the economic base of forest dependent local communities.

Participants welcomed the Chair's proposal that there be a follow up meeting in 2008 with further engagement from the private sector that would allow for a stock-take of progress and the opportunity to kick-start further efforts to address the complex challenges and opportunities presented by forests and climate.

Presentations and further details from the High Level Meeting are available at <http://www.greenhouse.gov.au/international/forests/meetings.html>.

2) *Global Carbon Monitoring System for Forests and Climate*

Australia invites other countries and international organisations to join with Australia to establish a Global Carbon Monitoring System (GCMS) to monitor changes in forest cover and forest carbon. The GCMS will comprise linked national, regional and/or international systems that will be supported by remote sensing satellite monitoring systems and on the ground carbon accounting approaches.

What is the Global Carbon Monitoring System?

- GCMS is an Australia led global partnership under Australia's *Global Initiative on Forests and Climate*.
- GCMS will provide data, technical systems and capacity for forested developing countries to monitor forest cover change over time and prepare robust forest carbon inventories. These inventories will support countries' efforts to reduce emissions from deforestation.
- GCMS will:
 1. access existing historical data that can be used to develop historical national forest carbon baselines;
 2. link existing and new hardware and systems to access satellite radar data for annual, "wall to wall" national forest carbon inventories:
 - under the *Global Initiative on Forests and Climate*, Australia is building satellite receiving stations to provide forest cover data for countries in the Asia Pacific region;
 - GCMS will encourage other countries to use existing, or establish new, satellite receiving stations to broaden the scope for global coverage;
 3. support ongoing monitoring and verification activities needed to underpin avoided deforestation activity;
 4. build on existing national, regional and international initiatives; and
 5. utilise carbon accounting software such as Australia's National Carbon Accounting System – a world leading system applying satellite monitoring of vegetation cover change to estimate greenhouse gas emissions from deforestation.

Why do we need GCMS?

- **Global emissions from deforestation are large, but estimates vary significantly:** The IPCC¹ estimates that emissions from deforestation are about 5.9 billion tonnes of CO₂-e per annum. However the possible range of estimates is 1.8 to 9.9 billion tonnes CO₂-e. At present few countries have the capacity to provide accurate estimates of emissions from forestry activities. The GCMS aims to address this issue.
- **Global mitigation potential from avoided deforestation is great, but estimates vary significantly:** Assuming that emissions from deforestation can be halved, this represents 10% of global emissions and 3 billion tonnes of CO₂-e. GCMS would provide data on changes in forest cover and, as it develops, would make available to countries far more robust assessments of the potential contribution that avoided deforestation could make to global emissions reduction efforts.
- **Need to attract significant private sector resources:** The resources required to effectively address deforestation means that the international community must find ways to engage business and donors

¹ IPCC Fourth Assessment Report

from around the world by placing a financial value on emissions from avoided deforestation.

- **To attract resources we need to establish public, industry and government confidence in the estimates of emissions:** The advantage of a wall-to-wall and time-series satellite based systems is that it monitors transparently where and when emissions occur. This form of monitoring establishes public, industry and government confidence in the estimates of emissions. This is an essential first stage in application of both government policy and any potential market mechanisms.
- **To attract resources we need to address issues of emissions leakage:** The problem of leakage (deforestation activity shifting from one location to another) means that establishing financial incentives to deal with deforestation will require national and regional baselines of forest cover to track changes in carbon stocks. National and regional level assessments will counter concerns about leakage that would otherwise have the potential to reduce investment confidence in avoided deforestation mechanisms. Remote sensing offers an effective tool to deliver national baselines.
- **The world has the capacity to achieve this through a global partnership:** Through the GCMS, Australia is calling other countries and regions to join in similar initiatives so that these monitoring and carbon accounting systems link together in a way that is truly global, and so that the frameworks and visions of global cooperation such as envisaged by the Global Earth Observing Systems of Systems become a reality.

Contributions to GCMS might include:

- owners of satellites and satellite receiving stations providing the capacity to download forest data and/or cost effective access to data;
 - scientific and technical assistance on monitoring and inventory development from countries, academic institutions, research communities and international organisations;
 - analytical work to ensure that technical data is made available in a form that is useful for decision makers and programme administrators;
 - delivery of capacity building and support activities in developing countries by donor countries, international organisations, and the private sector;
 - financial contributions by donor countries; and
 - forested developing countries partnering to build their capacity to monitor and report forest carbon.
- **Need to link existing national, regional and international activities:** Australia recognises the past and current work on developing forest monitoring frameworks, and various regional and national initiatives to bring those frameworks into operation. Australia is an active participant in many of these initiatives including the Global Earth Observing Systems of Systems (GEOSS) and sees the benefit of its sub-programs such as the Forest Mapping and Change Monitoring program that is coordinated by the FAO.

Australia realises that the global vision of programs such as GEOSS cannot be fully achieved without leadership on the implementation of national and regional scale operational programs. Through the *Global Initiative on Forests and Climate*, Australia is assisting countries in the Asia-Pacific region to develop the capacity for integrated forest monitoring and carbon accounting systems. Australia calls upon other countries and institutions to join in similar activities, including in other regions, so that these monitoring and carbon accounting systems link together in a way that is truly global, and so that the frameworks and visions of global cooperation such as envisaged by the GEOSS become a reality.

Next Steps

- Australia will invite other countries, international organisations and scientific institutions to partner in scoping and then establishing the GCMS.
- An international Steering Committee, with representation from donor and recipient countries and international agencies, will be established to oversee system development, supported by an Australian based secretariat.
 - The Steering Committee will be supported by international scientific and technical working groups.
- Countries and institutions make financial or in-kind commitments, consistent with their priorities, to the GCMS.
 - Financial commitments most likely to be earmarked for specific aspects of the GCMS work.
 - Australia's financial commitment will:
 - establish and run satellite Australian based receiving stations;
 - support GCMS secretariat;
 - provide satellite data to countries in our region;
 - support Australian scientific and technical experts input to GCMS; and
 - build technical and institutional capacity for carbon monitoring in developing countries in our region.

PAPER NO. 2: INDONESIA

**REDUCING EMISSION FROM DEFORESTATION IN DEVELOPING COUNTRIES (REDD)
INDONESIAN VIEWS ON STEPS TO MOVE FORWARDS : APPROACH TO STIMULATE
ACTION**

The SBSTA invited Parties to submit to the secretariat, by 15 August 2007, their views on issues related to further steps under the Convention related to reducing emissions from deforestation in developing countries: approaches to stimulate action. The SBSTA also requested the secretariat to compile these submissions for its consideration at its twenty-seventh session.

INTRODUCTION

Deforestation in the context of climate change can be defined as the loss of forest due to human induced activities which include conversion of forest to other uses that have lower carbon stocks and loss of forest due to continuous degradation resulted from repeated unsustainable forest practices. Thus, deforestation often involves the reduction or disappearance of forest cover that can be as a result of land-use change, and degradation of forests wherein carbon stocks are reduced per unit of area without necessarily the disappearance of forest cover both situations cause emissions of greenhouse gases.

Emission from deforestation in developing countries is recorded to contribute approximately 20% of global carbon dioxide emissions. However, as has been acknowledged by Stern in his report that the earth's vegetation and soils currently contain the equivalent of almost 7500 Gt CO₂, more than double the total amount of carbon currently accumulated in the atmosphere and forest itself store approximately 4500 G ton CO₂. Large-scale deforestation has been occurring for several centuries with the balance shifting from developed to developing countries. A study on underlying causes of deforestation, showed the trend of deforestation decrease to zero when the country reach stable economic development.

Developing countries experiencing high rate of deforestation have taken efforts in tackling deforestation and degradation problems, and depending on the national circumstances, the efforts may include, improve the management forests with production function, strengthening the protected area management, through various measures including institutional reform. However, the magnitude of the problems is generally much higher than the available domestic resources.

Problem associated with deforestation and degradation is complex, the drivers are multiple, often related with international trades. In some tropical countries, forest is the home of mega biodiversity, the source of genetic materials for various purposes now and in the future, used not only locally and nationally, but also internationally. In the context of climate change, forest can be as *source or sink*, hence, to be able to effectively contribute to climate stabilization; both *source and sink* need to be addressed. In forestry terms, it could be achieved through avoiding forest conversion, sustainably managed forests with production function, securing protected areas (conservation and protection forest), forest restoration, re-planting and rehabilitation of degraded land, as well as increasing forest cover through encouraging tree planting activities outside forest land. However, this unique role of forest in climate stabilization and as live support system have not adequately been recognized neither under current climate related mechanism (e.g. A/R CDM) nor under existing market system for forest products and services.

Considering the trend of deforestation and degradation in developing countries and potential threat to the remaining forest and other vegetations as carbon sink, there is urgent need to take further meaningful actions to reduce emissions from deforestation and degradation in developing countries. In order to increase the effect of current efforts and actions by developing countries to improve the management of their forest resources and in tackling deforestation challenges that contributes to reducing emissions from

deforestation and degradation stable and predictable resources are needed. Furthermore, the efforts and actions by developing countries to reduce emissions from deforestation must be in a voluntarily basis and contribute to sustainable development.

FUTHER STEPS

The development within COP negotiations is still unclear regarding the further steps related to reducing emissions from deforestation in developing countries. Deforestation rate in developing countries will continue to increase without concrete and prompt actions from international communities. It is important that in COP-13 in Bali, clear steps in RED can be agreed including availability and sustainability of the resources required to carry out each step.

Considering differences in national circumstances, Indonesia propose the following steps :

1. *Readiness* which could start from 2007 :
 - Address methodological aspects, for example, methodology to determine carbon stocks and flow changes, emissions reference level (business as usual), and monitoring methodology to measure forest cover change and forest degradation and changes in forest carbon stocks and greenhouse gas emissions,
 - Analyze drivers of deforestation and degradation, options and opportunity costs of deforestation and degradation reduction strategies, incentives and payment distribution mechanisms, and likely future markets of CRED.
 - Develop land use change scenarios to reduce emissions : quantify reduced level of emissions that could be anticipated through introduction of improved land use and land conversion strategies on different options of land use categories, to see how different levels of carbon pricing and potential for 'avoided deforestation' payments could be expected to influence forest land use under varying assumptions of population growth, pressures for expansion of the agriculture frontier, raising both domestic and global demand for industrial forest products, increase forest land use values.
2. *Pilot activities* which could start from 2008
Depending on the readiness level of parties, pilot phase may be used as exercise for testing the methodologies and strategies developed for reducing deforestation and degradation, with sub-national/sectoral/project implementation, non-market based approach with transition to market prior 2012, strengthening credibility triggers such as institutional arrangement, relevant programmes and policies.
3. *Full implementation* which allow market mechanism be implemented, depending on the readiness of the parties, may start prior to 2012.
4. While allowing parties to take necessary steps according national circumstances and without prejudice the outcomes of the negotiations on the relevant agendas, policy approaches and positive incentives, and methodological aspects for reducing emissions from deforestation in developing countries should be agreed before COP-18 (2012)

APPROACH TO STIMULATE ACTIONS

Provision of resources to support ongoing efforts and to strengthen future actions in reducing emissions from deforestation on a voluntary basis, including capacity building and technology transfer to address methodological challenges in quantifying emission reference level, data collection, measuring and monitoring emission reduction from deforestation and degradation, as well as institutional, market and incentive mechanisms. It has been estimated that *readiness activities* may needs \$1 - \$5 million per developing country and effective *pilot activities* up to \$1 - \$3 billion per year. Therefore such efforts should be undertaken in cooperation with a range of stakeholders, including the private sector.

Voluntary initiatives to support such efforts, such as the World Bank's *Forest Carbon Partnership Facility* and other possible initiatives should be commended and supported.

Financial resources

- *Readiness Activities* is urgent needs, it shall use all possible available resources, through bilateral (e.g. ODA) and/or multilateral channels,
- *Transition phase (Pilot activities)* may start with ODA and other voluntary based funding mechanisms, and depending on the level of readiness then transition to use pre-2012 CRED market
- Post 2012, REDD with related issues such as afforestation, reforestation, conservation, sustainable forest management, must be integral part of any future climate agreement.

Methodological issues

The UNFCCC has approved methodological standards to deal with forestry, including deforestation, under a national accounting system – the 2003 IPCC Good Practice Guidance for Land Use, Land Use Change and Forestry (2003 IPCC GPGs).

Under the relevant decisions for the UNFCCC Parties, both Annex-1 and developing countries are required to report on forest activities using approved IPCC GPG. Under the Kyoto Protocol, Annex-B countries can use the 2003 IPCC GPG, in the context of the relevant decisions of the Parties, to generate tradable credits from reduced emissions from deforestation within their countries while developing countries presently cannot. For many developing countries, it is important to note the 2003 IPCC GPG allows 'unmanaged' forests to be excluded from national accounting systems. Therefore, the 2003 IPCC GPG methodology could also be applied for developing countries considering a National Approach.

To stimulate early action, specific methodological guidelines should be included in the COP-13 decision to assist developing countries seeking a voluntary national approach to reduce emissions from deforestation:

- emissions from deforestation could be estimated using the most recently agreed reporting guidelines (2003 IPCC GPG);
- emission reductions from deforestation should be real, demonstrable, transparent and verifiable and the assessment should be results based;
- a national approach should assess emission reductions from deforestation on a conservative basis relative to a national emissions reference level;
- a national reference level should be determined using activity data over a reference period that is as long as possible, but not shorter than five years;
- a national emissions reference level for deforestation should be based on historical emissions from deforestation and should take into account national circumstances e.g. a developmental adjustment factor, population density;
- emission reductions from deforestation relative to a national emissions reference level may encompass sub-national, sectoral, and project approaches for implementation;
- incentives should be in the form of a payment proportional to the amount by which the emissions for a year within an assessment period are below the reference emissions level;
- methods to address performance risks should be encouraged and could include use of reserve ratios, trust arrangements and risk pooling, etc.;
- application of these guidelines should be subject to an independent peer review following existing precedent for LULUCF reporting for Annex-B Parties.

Credit for Early Action

To facilitate early action and mobilize private capital, the Parties could utilize the above listed methodological guidelines to create a system of *credits for reduced emissions from deforestation and degradation* (CRED) accounted for on a national basis during 2008-2012 and creditable within post-2012 frameworks. This would require agreement by the Subsidiary Body for Implementation (SBI) with any necessary additional methodological work to be undertaken by SBSTA.

- *Fungibility*: pre-2012 CRED units should be fungible against AAU (Assigned Amount Units) to be issued in post-2012 frameworks;
- *Volume Caps*: pre-2012 CREDs could be capped in volume to manage the supply accumulated before the post-2012 frameworks come into effect;
- *Allocation*: Parties wishing to participate could apply for an allocation of pre-2012 CREDs (sellers and purchasers) in order to assist in the formulation of practical cap volumes;
- The principle of CREDs is fair and balance to accelerate the future market.;
- *Deeper Targets*: Annex-1 Parties could agree to accept deeper targets than would otherwise be accepted by an amount equal to the volume of pre-2012 CREDs earned.

Post 2012 climate change agreement

Reducing emissions from deforestation will not be easy nor will it come cheaply. According to recent analysis, Parties must consider allocating \$10-\$15 billion per year to stimulate a meaningful global reduction of emissions from deforestation in developing countries. Considering differences in national circumstances amongst developing countries seeking to reduce emissions from deforestation, a 'flexible basket' of instruments that support sustainable development must be considered.

Market instruments requires leadership by Annex-B Parties in the form of deeper targets that are truly additional must precede the introduction of a new supply of carbon offsets from reduced emissions for deforestation in developing countries. A new instrument for CREDs cannot simply compete with, and lower market prices for, actions taken under the Clean Development Mechanism (CDM). Annex-B Parties should agree to accept deeper targets than would otherwise be accepted by an amount equal to the projected volume of CREDs earned from 2008 up to the end of the second commitment period.

To reach the necessary scale, activities to reduce emissions from deforestation in developing countries should be encouraged and accommodated within relevant instruments operating in the different Annex-1 Parties, including domestic, regional or international emissions markets. Further, efforts to standardize carbon pricing between markets should be encouraged by the Parties. Furthermore, to facilitate international cooperation in reducing emissions from deforestation in developing countries, Annex-1 Parties must seek to standardize the methodological regulations applicable to developing country participation, including domestic, regional or international emissions markets. Synergies between existing conventions, treaties and international agreements need to be continuously promoted, with special attention given to reducing emissions from deforestation in developing countries.

Lesson learnt from the 2-year SBSTA and process beyond

From the two year process of SBSTA and inter-sessional workshops, we have been able to identify what technology are available for quantifying emissions reference level, methodology for measuring and monitoring emission reductions, what data required, capacity needs, and the gaps to be filled for actions to reduce emissions from deforestation and degradation in developing countries. Therefore, Indonesia views that the following aspects shall be included in COP-13 decision :

Methodological Guidance

To facilitate emission reductions from deforestation during 2008-2012 and beyond, the Parties must develop methodological guidance that would facilitate rapid implementation of incentive frameworks. SBSTA should carry out work related to Items 1 – 8 below, including a workshop between sessions, and report back at SBSTA-29. SBSTA could report back related to Items 9-10 below to SBSTA-31 including recommendations to COP-15.

1. Sub-National and National emissions reference levels
2. Agreed emissions reduction reference scenarios
3. Measurement, reporting and verification procedures
4. Forest classifications and stratifications, including improved measurement of forest degradation
5. Conservativeness and Accuracy (2003 IPCC GPG: Tier 1, Tier 2, Tier 3)
6. Incentive frameworks, including annual and inter-annual accounting methods
7. Independent review process
8. Instruments to address performance risk
9. Instruments to address forest conservation/stabilization
10. National circumstances and developmental differences (Development Adjustment Factor, Population Density)
11. Sovereignty of countries e.g on monitoring.

Guidance for Implementation:

All bodies established under the COP or the COP/MOP should consider the part to be played by reduced emissions from deforestation and degradation, forest conservation and stabilization of forest carbon stocks within future frameworks for action on climate change that take effect after 2012. To facilitate emission reductions from deforestation during 2008-2012 and beyond, the Parties must develop means to facilitate rapid implementation of incentive frameworks based on carbon stocks and opportunity cost, whether under market or non-market mechanism. SBI should carry out work related to Items 1 – 2 below and report back at SBSTA-31 with recommendations to COP-15.

- The possibilities for mobilizing the necessary resources set out above, and any additional options, to support the three phases to stimulate actions on REDD
- A draft decision for consideration by COP-15 that would enable credits for verified emissions reductions achieved before 2012 to be used to meet future commitments.

Jakarta, 20 September 2007
