Submission to the UNFCCC: Paragraph 36 of the Doha LCA Outcome (FCCC/CP/2012/L.14/Rev.1)

March 25, 2013

Submitted by:
Environmental Defense Fund, Union of Concerned Scientists, Rainforest Alliance, Woods Hole Research Center, National Wildlife Federation, Wildlife Conservation Society, The Nature Conservancy

---

This submission responds to Paragraph 36 of FCCC/CP/2012/L.14/Rev.1, which invites Parties and observers to submit views on the matters referred to in paragraphs 34 and 35.

Outline of Submission:

- Joint SBSTA/SBI mandate in the context of other FCCC REDD+ work
- Priorities for the SBSTA/SBI REDD+ work
- Views on New Institutional Arrangements

Joint SBSTA/SBI mandate in the context of other FCCC REDD+ work

The new joint SBSTA/SBI agenda item, along with new and existing SBSTA work, is more than sufficient mandate to elaborate an FCCC REDD+ policy framework and the detailed modalities and methodologies for a REDD+ mechanism under the ADP (both workstream 1 and 2, i.e., pre- and post-2020). Those methodological details will help address REDD+-specific details for results-based financing such as registries, available sources, accounting, etc. Moreover SBI and SBSTA have ongoing mandates that do not need to be renewed. Finally, there is a lack of clarity on the difference between the COP Work Programme and the joint SBSTA/SBI work. For these reasons we strongly recommend using the COP Work Programme sparingly, if at all, given the limited time and resources of Parties' delegates and the Secretariat.

Addressing issues under the COP Work Programme risks duplication of effort. Paragraph 34, which outlines the matters to be addressed jointly by SBSTA and SBI, recognizes the need for providing "adequate and predictable support" for the REDD+ activities outlined in the Cancun decision, and to "improve coordination" of that support. The aim of the Work Programme elaborated in Paragraph 28 is "to scale up and improve the effectiveness of finance" for REDD+. Also, Paragraph 29(c) also covers "ways to improve coordination of results-based finance." The issues identified for the COP Work Programme could be better addressed in the SBSTA/SBI work.

To the extent that Parties' feel the issues highlighted in Paragraph 29 need priority attention, these could be given that priority in the joint SBSTA/SBI or relevant SBSTA work elements.

One could interpret that the COP Work Programme's aim to "contribute to … ongoing efforts" refers to REDD+ work outside the FCCC (e.g., REDD+ countries' national programmes, bilateral REDD+ efforts, and/or multilateral efforts such as the FCPF, UNREDD or REDD+ Partnership). We believe that the two best ways for the FCCC to contribute to these other efforts is (1) to constructively work on the elaboration of a credible REDD+ mechanism directly under the FCCC as directed to the SBI/SBSTA, and (2) increase the level of finance and overall ambition in pre- and post-2020 agreements, which will occur outside of the REDD+-only negotiations. If, on the other hand, "ongoing efforts" refers only to FCCC work then, as argued above, there are already enough places to discuss relevant issues; the barrier is political will, not a lack of work programmes.

Priorities for the SBSTA/SBI REDD+ Work

In this section we provide recommendations for both the organization and content of FCCC REDD+ work.

REDD+ is one of many emission mitigation sectors, and Parties (and Observers) should avoid isolating REDD+ from the bigger picture. REDD+ negotiations should prioritize working with the ADP Workstreams to addressing REDD+-specific issues in a way that is responsive to the overall climate framework evolution. REDD+ negotiations need to be flexible to how ADP negotiations evolve.

The Doha REDD+ LCA decision is poorly organized compared to other sections. For example, we encourage Parties to look at the work programme elements elaborated in L.14/Rev.1, Section D, Paragraphs 46 and 51 (Framework for Various Approaches, and New Market-Based Mechanism, respectively), which lay out a clear, logical and complete set of elements to be considered. These elements may provide useful organization for the joint SBSTA/SBI REDD+ work.

The Durban REDD+ decision and subsequent negotiations makes it clear that Parties do not share a single vision for what a REDD+ mechanism will look like. It is possible that we will in fact have more than one REDD+ policy approach, all of which need to co-exist (i.e., market-based/linked; non-market; joint mitigation-adaptation; other approaches). In addition, we have pre- and post-2020 phases of the ADP, and the possibility of a range of possible legal forms of commitments. Work in 2013 and 2014 should elaborate how REDD+ should look in each specific case and the common elements that will support co-existing approaches, without unnecessarily repeating discussions of the Parties' views on different forms of a REDD+ mechanism.

In our view REDD+ will be most successful to the extent that each form of REDD+ mechanism can share as much of a basic policy architecture as possible. Specifically, even common MRV rules, reference level guidance, and technical assessment, etc., would go a long way to enhancing credibility and reducing confusion and transaction costs.

We think it is very important that Parties distinguish between financing for phases 1 and 2 and financing for phase 3 (the results-based phase). Last year conversations around REDD+ financing became a bit confused because the financing needs for phases 1 and 2 have been greater than anticipated and the disbursement of financing for phase 1 and 2 actions has been slower than hoped for. Lack of financing for phases 1 and 2 presents a major barrier to REDD+ progress and must be resolved by donor countries meeting their pledges for fast-start financing and making new commitments for the 2013-2015 time period. At the same time, lack of certainty over sources and scale of financing for phase 3 and confusion over what that financing could be used for presents an equal, if not greater barrier. <u>Therefore, two separate conversations are necessary, recognizing that the results of each conversation will impact the other.</u>

<u>Phase 1 and 2 REDD+ Financing Needs</u>
There is an urgent need to ensure that current financing will continue and scale up beyond the fast start period.

- <u>Developed countries need to announce their commitments for REDD+ financing for the 2013-2015 period.</u>

- They must continue to augment current commitments so that there is sufficient financing through 2020 to meet developing countries' upfront REDD+ financing needs and to ensure that countries are able to successfully move through the readiness process.
- Financial commitments are critical as public funding will be the major source of financing for phases 1 and 2.

<u>Phase 3, results-based REDD+ Financing Needs</u>

In regards to results-based financing, the importance of multiple sources of financing has been recognized and potential sources of financing were already identified in Durban. Joint SBSTA/SBI work following the Doha decision should provide clarity on how phase 3 finance will work.

- Further conversations on how these different sources of finance can be utilized will be critical to ensuring that those sources of finance are optimally mobilized.
- Even more important, clarity is needed on what exactly results are and how financing can be provided for those results.
- Further discussions on the structure of the REDD+ mechanism(s), and how REDD+ reductions will be part of the overall mitigation agreement, in particular if developed countries may meet a portion of their future commitments by using REDD+ reductions.

<u>Phase 3 REDD+ Mechanism for Market and Non-Market Finance</u>

Defining REDD+ results as emissions reductions (tons of GHG reduced per year), while of course meeting social and environmental safeguards, results in a simple mechanism that can effectively and efficiently mobilize and deliver REDD+ financing from a variety of sources. Under this mechanism:

- Financing would be linked to a <u>country's performance against a reference level</u> and would be <u>provided after those results have been demonstrated and independently and internationally verified</u>.
- For this reason, clarification of the relationship between reference levels and compensation levels is critical.
- Parties seem to have different ideas on the relationship between reference levels and compensation and there has been limited discussion on this to date, so those discussions are needed now.
- It is also important to note that a mechanism based on emission reductions could appropriately access market-based financing, but non-market based financing could also support this mechanism.

<u>Phase 3 REDD+ Alternate Non-market Mechanisms</u>

Some countries may like to make use of the alternate non-market based, joint mitigation and adaptation mechanism that has been proposed. Further clarity is needed on how this mechanism would work.

- Upfront financing should be provided in phases 1 and 2 even for those countries that may want to participate only in REDD+ phase 1 and 2 activities. This will contribute to the REDD+ objective of slowing, halting and reversion emissions from deforestation and forest degradation. This reiterates the need for adequate financing for phases 1 and 2. Financing for phase 1 and 2 should not be confused with the phase 3 Alternate Non-Market Mechanism, however.
- For the an Alternate Non-Market Mechanism discussions on how it will meet the results-based criteria for phase 3 are necessary in order to determine how results would be defined and MRVed under this mechanism. Clarity is needed on how results would be defined, as this mechanism may define results differently than "emissions reductions." As a result-

based mechanism, the Alternate Non-Market Mechanism would similarly provide financing after results are demonstrated and verified.

Phase 3 REDD+ Results

Certainty is needed for the results-based phase. Some countries will be ready to begin engaging in phase 3 activities in the 2013-2015 time period, so the SBI/SBSTA should clarify on what is needed for the results-based phase. Furthermore, countries need to understand how the results-based phase will work in order to appropriately design and implement the MRV and other systems they are putting in place now. Finally, certainty that adequate financing will be available for the results-based phase is critical to motivating the politically, technically, and financially challenging decisions that REDD+ countries face now in the early phases of REDD+.

We are confident that if Parties are able to effectively engage in the conversations outlined above, we can reach decisions that can truly operationalize REDD+ and put us on a path towards slowing, halting and reversing emissions from deforestation and forest degradation.

New Institutional Arrangements

Paragraph 35 asks SBSTA and SBI jointly to "consider existing institutional arrangements or potential governance alternatives including a body, a board or a committee."

Establishing any new REDD+ institutional arrangement within the FCCC is definitely not a high priority, and likely not necessary for the near future. The time necessary to negotiate a new REDD+ institution's mandate, membership, rules of procedure, etc., would be better spent on the more pressing issues outlined above, such as building ambition and clarifying rules for REDD+. A new institution is not necessary at this point.

The following are four possible roles for a new FCCC REDD+ institution, along with possible advantages and disadvantages of each:

- **A COP body to ensure that REDD+ is addressed, coordinated, etc., across various FCCC agendas.** REDD+ does relate directly and indirectly to many other FCCC agenda items, so there is some appeal to this role. However, we are not convinced that REDD+ negotiators cannot already engage in or become informed about other FCCC agenda items as needed. One approach that would be much less time consuming than establishing a new REDD+ body would be to have joint meetings as necessary with other negotiating streams (e.g., MRV, NAMAs, Finance), workshops, or informal meetings. The Secretariat, Bureau, and Parties themselves should be able to facilitate coordination among agenda items. The Adaptation Committee is not a good analogy, as REDD+ is simply one of many emissions mitigation sector that can and should be considered within the broader climate mitigation framework, whereas adaptation required a mechanism to establish itself in the FCCC process. It would be unnecessarily complicated and even counterproductive to have a REDD+ body that would be empowered to make independent decisions, i.e., independent of the broader ADP post-2020 framework negotiations.

- **Implementing body for REDD+ mechanism within ADP post-2020.** There may well be a need for an REDD+ implementing mechanism of some sort in the post-2020 framework, perhaps somewhat analogous to the CDM Executive Board. This should be considered as part of the

SBSTA/SBI REDD+ work, in the broader context of the ADP. However, it would be very premature to establish a mechanism before this broader ADP context becomes clearer.

- **Implementing body for REDD+ mechanism within ADP pre-2020**. As with a REDD+ body for post-2020, the possible need for a pre-2020 REDD+ implementing mechanism must be considered within the context of ADP Workstream 2. Careful consideration needs to be given to making sure any mechanism would not conflict or duplicate what GCF REDD+ funding could do, as well as other multilateral and bilateral REDD+ efforts outside the FCCC. In addition, Parties should be realistic about their ability to negotiate and implement such a pre-2020 mechanism in time to actually influence pre-2020 REDD+ activities. Instead, using the SBI/SBSTA agenda item to finalize some of the details of REDD+, as outlined above, would allow for ongoing REDD+ actions to be a key component of pre-2020 emissions reductions.

- **Implementing body for all existing and/or future REDD+ funding.** This would be a body similar to that described in the most ambitious proposal from Doha. Our concerns here include all those in the three previous paragraphs. In addition, to the extent that such a proposal seeks to have an FCCC body directly influence (or aggregate/unify?) all the existing REDD+ programs operating outside of the FCCC, then we reiterate our strong concern that this is an inappropriate role for the FCCC.