

## ARGENTINA

### Reducing emissions from deforestation in developing countries

#### Mandate

The 11<sup>o</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC - November/December 2005) decided to consider “issues relating to reducing emissions from deforestation in developing countries, focusing on relevant scientific, technical and methodological issues and the exchange of relevant information and experiences, including policy approaches and positive incentives”, beginning at the twenty-fourth session of the Subsidiary Body on Scientific and Technical Assessment (SBSTA)<sup>1</sup>. The 24<sup>o</sup> session of the SBSTA (May 2006) agreed to continue the consideration of the issue at SBSTA 25 (November 2006). A workshop regarding this issue was held in Rome, from 30 August to 1 September 2006.

The SBSTA, at its twenty-fifth session, requested the secretariat to organize a second workshop before its twenty-sixth session (May 2007). To facilitate discussions at the workshop, the SBSTA invited Parties to submit their views on the range of topics discussed at the first workshop; the discussions of ongoing and potential policy approaches and positive incentives; and technical and methodological requirements related to their implementation; assessment of results and their reliability; and improving the understanding of reducing emissions from deforestation in developing countries, taking into account, as appropriate, relevant provisions of other conventions, including the Convention on Biological Diversity, and also the work of multilateral organizations, including the UNFF and the WTO. The SBSTA, at its twenty-sixth session, will consider these information and views. The Government of Argentina welcomes the opportunity to submit views on the matter.

#### Improving the understanding of reducing emissions from deforestation in developing countries

Argentina supports that, being this exercise oriented to consider issues relating to reducing emissions from deforestation in developing countries, the discussion should focus on the particular needs, means and ways of developing countries to do it. Discussing experiences coming from developed regions can have a philosophical value, but if the sustainability and effectiveness of those measures depends on the availability of sufficient funding and the wealth of the States, we can presume that this sort of schemes will not be particularly useful for developing countries.

#### Provisions of other conventions and work of multilateral organizations

We consider that any mechanism developed to incentivise action to reduce emissions from deforestation in developing countries should be consistent with the applicable international obligations of the UNFCCC members. Also, without importing terminology of other processes, it could be useful to bear in mind some provisions from and the work done in other Conventions and Multilateral Organizations, as the following.

*Convention on Biological Diversity:* The concept of “positive incentives” is far to be self-explanatory, and not all incentives are positive. Being among the objectives of the Convention on Biological Diversity (CBD), as stated in its Article 1, ‘(...) the conservation of biological diversity (...)’ and ‘(...) the sustainable use of its components (...)’, it could be particularly

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<sup>1</sup> FCCC/CP/2005/5, para. 81.

relevant to take into consideration the experience of the discussion process of “incentive measures” in that context. Article 11 of the CBD refers to incentive measures like “measures that act as incentives for the conservation and sustainable use of components of biological diversity”.

In addition, work has been done on “perverse incentives”, defined by the CBD process as, “incentives that accelerate the loss of biodiversity. Examples include those public subsidies that support unsustainable farming, forestry or fishery activities. Work is now under way to develop proposals for the application of ways and means to remove or mitigate such perverse incentives.”<sup>2</sup> Especially relevant is the fact that, after many years of consideration of matters related with incentive measures, differences of interpretation have arisen among the Parties and the COP8 of the CBD (Curitiba, 2006) has agreed, by its Decision VIII/26, to initiate a structured, transparent and inclusive preparatory process for the in-depth review of work done on incentive measures since COP5 (Nairobi, 2000).<sup>3</sup>

*World Trade Organisation:* In the first workshop, experiences of some Parties were considered with regard to “payments for environmental services”. We believe that our process should use conceptually precise definitions. Specifically, it is relevant to take into account that there is a conceptual difference between “payments for ecosystem services” and “payments for environmental services”. The first is based on the presumption that it is possible and desirable to both quantify and commodify the values and assets of ecosystems. However, being some of the most important values of forests non-monetary, they cannot be easily integrated into the economic valuation process. The question should be raised about if all ecosystem benefits can or should be valued in monetary terms, taking into consideration the serious ethical questions involved, such as poverty reduction.

On the other hand, with regard to the second category, “payments for environmental services”, it has to be taken into account that environmental services are subject to the GATS provisions, save for the case of services supplied in the exercise of governmental authority as it is stated in Article 1.3 (b) of the agreement, and therefore part of the Services negotiations under WTO. We consider that the relation between WTO agreements and MEAs is working well, and that confusion with regard to those issues should not be introduced in our process, in order to ensure harmony and mutual supportiveness between trade rules and international environmental law, in line with the mandate of the Doha Ministerial Declaration, reaffirmed in the Hong Kong ministerial Declaration. We do not support the development of terminology that could collide with established multilateral commercial disciplines, and/or the elaboration of a positive ponderation of measures whose impact on international trade can be negative, such as some kinds of subsidies. Subsidies have been clearly defined in article 1 of the WTO Agreement on Subsidies<sup>4</sup>, obligatory to their 149 members, which indicates that the concept includes, among

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<sup>2</sup> CBD website, Programmes & Issues, Economics, Trade and Incentive Measures, Introduction & Perverse Incentives and their Removal or Mitigation (<http://www.biodiv.org/programmes/socio-eco/incentives/default.asp>).

<sup>3</sup> Decision VIII/26 also recognizes that “policy guidance on incentive mechanisms developed under the Convention is voluntary and should be applied in accordance with national law, taking into account other international instruments”, and encourages international institutions and organisations as well as stakeholders to strengthen research on “comparative analyses of the effectiveness and cost-efficiency of individual positive incentive measures, including their impact on the livelihood and biodiversity of third parties.”

<sup>4</sup> World Trade Organisation (WTO) Agreement on Subsidies, Article 1: “1.1 (...) a subsidy shall be deemed to exist if: (a) (1) there is a financial contribution by a government or any public body within the territory of a Member (referred to in this Agreement as “government”), i.e. where:

(i) a government practice involves a direct transfer of funds (e.g. grants, loans, and equity infusion), potential direct transfers of funds or liabilities (e.g. loan guarantees);

(ii) government revenue that is otherwise due is foregone or not collected (e.g. fiscal incentives such as tax credits)

<sup>4</sup>

(iii) a government provides goods or services other than general infrastructure, or purchases goods;

others, payments, financial transfers and tax exemptions. The consideration that all subsidies are positive incentive measures is wrong, especially from the perspective of their possible impact on developing countries and the poor.

*United Nations Forum of Forests:* Within discussions in the United Nations Forum of Forests (UNFF) many Parties have expressed the view that innovative and new sources of funding are needed, including the possibility of establishing a “Global Forest Fund” to support developing countries in implementing Sustainable Forest Management. This is an issue that is still being discussed within a broader process to develop a multi-year programme of work (MYPOW) of the UNFF and a non-legally binding instrument (NLBI) on all types of forests.

### **Ongoing and potential policy approaches**

We should take into account in our discussions the results of the negotiations on the MYPOW and the adoption of the NLBI at the upcoming seventh session of the UNFF (April 2007) and their impact on the protection and sustainable management of forests. The MYPOW and NLBI should be useful mechanisms to incentivise positive action to reduce emissions from deforestation in developing countries, provided they have adequate means of implementation. However, specific approaches to reduce emissions from deforestation need to be developed under the UNFCCC.

Also, it could be useful to have a better understanding of the impact of the removal of perverse incentives by developed countries on developing countries forests. We consider that incentives have different motivations, many of them neither exclusively nor principally directed to protect the environment. In fact, a fundamental cause of the loss of biodiversity in developing countries is the persistence of the use of perverse incentives in developed countries.

We are open to discuss the benefits of publicly-governed mechanisms, such as a fund, and of well designed, targeted and flexible market-based approaches to promote the reduction of emission from deforestation and forest degradation in developing countries. Both approaches should continue to be compared, not only on the basis of cost-effectiveness and the technical and methodological requirements related to their implementation, but also in terms of equity. To this end, different categories of developing countries could be set, taking into account their geographic situation (high, mid or tropical latitudes) and the associated types of forests (boreal, tropical, etc.).

The Government of Argentina coincides with a number of our developing country peers in the belief that this discussion should aim at establishing a new arrangement within the Convention to enable developing country Parties to take action to reduce emissions from deforestation. Any such mechanism should include provision of new and additional financial resources, transfer of technology, capacity building and enhancement of national capacities, strengthening of national compliance and enforcement mechanisms, as well as support for monitoring and evaluation. Such assistance would be channeled through government programs based on measures that reduce emissions from deforestation in developing countries.

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(iv) a government makes payments to a funding mechanism, or entrusts or directs a private body to carry out one or more of the type of functions illustrated in (i) to (iii) above which would normally be vested in the government and the practice, in no real sense, differs from practices normally followed by governments;

or

(a) (2) there is any form of income or price support in the sense of Article XVI of GATT 1994;

and

(b) a benefit is thereby conferred.

1.2 A subsidy as defined in paragraph 1 shall be subject to the provisions of Part II or shall be subject to the provisions of Part III or V only if such a subsidy is specific in accordance with the provisions of Article 2.”

The Government of Argentina is looking forward to cooperate with other Parties to the Convention in finding ways and means to curb and ultimately stop not only deforestation but also forest degradation in developing countries.