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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

1. At its twenty-sixth session, the Subsidiary Body for Scientific and Technological Advice (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 requested the secretariat to compile these submissions for its consideration at its twenty-seventh session (FCCC/SBSTA/2007/4, para. 39).
2. The secretariat has received 10 such submissions. 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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* This submission has also been received in French.

** This submission is supported by Ecuador.

*** This submission is supported by Bosnia and Herzegovina, Croatia, Serbia, Turkey and Ukraine.

PAPER NO. 1: BELIZE, BOLIVIA, CENTRAL AFRICAN REPUBLIC, CONGO, COSTA RICA, DEMOCRATIC REPUBLIC OF THE CONGO, DOMINICAN REPUBLIC, EQUATORIAL GUINEA, GABON, GHANA, GUATEMALA, HONDURAS, KENYA, LESOTHO, LIBERIA, MADAGASCAR, PANAMA, PAPUA NEW GUINEA, SIERRA LEONE, SOLOMON ISLANDS, THAILAND, UGANDA, VANUATU AND VIET NAM

Submission of Views

26th Session of SBSTA, Agenda Item #5

*Reducing Emissions from Deforestation in Developing Countries:
Approaches to Stimulate Action*

Submitted Jointly by:

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Central African Republic
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Sierra Leone
Solomon Islands
Thailand
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1. Mandate

The Twenty-Sixth Session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) of the United Nations Convention on Climate Change (UNFCCC) 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 that the Secretariat compile these submissions for its consideration at its Twenty-Seventh Session.

2. Introduction

Deforestation often entails two distinct scenarios: the first involves the reduction or disappearance of forest cover often accompanied by land-use change; the second involves the degradation of forests wherein carbon stocks are reduced per unit of area without necessarily the disappearance of forest cover. Both scenarios result in greenhouse gas (GHG) emissions.

GHG emissions from deforestation in developing countries may today contribute approximately 20% of the world's carbon dioxide (CO₂) emissions. Large-scale deforestation has been occurring for several centuries with the balance shifting from developed to developing countries. In general, deforestation has not carried a long-lasting correlation with economic development. However, as rural incomes rise, rates of deforestation tend to decrease over time.

Along with the objectives of the Convention, therefore, a system of policy approaches and positive incentives to reduce emissions from deforestation should concurrently raise living standards within rural populations and be designed to support significant social, environmental and economic objectives associated with development. Further, such a system should also be designed to assist developing countries seeking to either conserve or expand forest cover.

Opportunities to reduce deforestation are often lost forever. The IPCC's 4th Assessment Report estimates that around 5.8 GtCO₂ is released annually into the atmosphere from global deforestationⁱ. Therefore, without prompt action to reduce emissions from deforestation, almost 30 GtCO₂ may be released into the atmosphere between 2008 and 2012.

Substantial and sustainable resources must be mobilized in order for mechanisms to reduce emissions from deforestation to be effective. There are several viable options to mobilize the necessary resources. For example, the UNFCCC recently projected that global carbon emission markets may exceed \$100 billion per year over the coming two decadesⁱⁱ.

There is general dissatisfaction amongst many developing countries with the present draft Decision resulting from SBSTA-26 for consideration at COP-13. A decision at COP-13 should outline a roadmap for the Parties to implement immediate action to address emissions from deforestation by requesting the Parties to:

- a) mobilize sufficient resources to support necessary policy approaches and positive incentives,
- b) catalyze key phases of readiness and pilots that urgently refine and scale up implementation,
- c) develop methodological guidelines to support 'credit for early action' from 2008-2012 along with expanded activities within international agreements on climate change taking effect after 2012.

3. Mobilizing Necessary Resources

Recent research for the *Stern Review on the Economics of Climate Change*ⁱⁱⁱ has estimated \$5-\$15 billion per year is required to reduce emissions from deforestation by 50% globally. Further, the IPCC's 4th Assessment Report estimates that reducing emissions from deforestation by 50% could save 1.6 billion tons of CO₂ annually at cost under \$20/t CO₂e^{iv}. In the context of policy formulation, it may be useful to consider the middle of this range as a starting point, \$10 billion per year, and/or a carbon price around \$20/tCO₂e.

In summary, there are a number of options available to mobilize financial resources at this scale, provided there is sufficient political will. Designed to support a flexible basket of policy approaches and positive incentives, the options outlined below may be considered individually, in various combinations, and/or over differing timeframes. Therefore, for illustrative purposes, in order to finance emissions reductions from deforestation of around 50%, the Parties could:

- **Compliance Markets:** Deepen Annex-B targets by around 9%.^v
- **Inter-sectoral Linkages:** Introduce a voluntary user-fee on emissions from air transport within Annex-1 countries of around \$22/ton.^{vi}
- **Emissions Compliance Fees:** Auction Annex-B emissions allowances in a post-2012 framework and allocate around \$0.30/tCO₂e from the proceeds.^{vii}
- **Tax on Oil Consumption:** Apply an additional tax of \$0.30 per barrel of oil equivalent consumed in the EU and US.^{viii}
- **Energy Subsidies:** Reduce distorting energy subsidies within industrialized countries by around 12.5%.^{ix}
- **Additional ODA:** Increase Official Development Assistance (ODA) by 12.5%.^x
- **Voluntary Markets:** Expand voluntary emissions markets by 100 times to be used exclusively for this purpose.^{xi}

To be effective, any alternative revenue streams must be transparent, predictable, sustainable and sufficient. Within the context of the UNFCCC, financing reduced emissions from deforestation through deeper cuts within industrialized nations is the most viable option and likely the most synergistic. However, other options may be considered to finance related activities operating exclusively within the Convention.

Presently, most developing countries struggle to adequately address the drivers of deforestation because of insufficient domestic resources and overly cumbersome requirements from international agencies. Further, effective implementation will be unlikely without confidence that the opportunity costs associated with forgone land-use activities will be replaced.

Considering the failures of many past international efforts to mobilize sufficient resources to address global challenges, including the ongoing failure to finance implementation of the *Millennium Development Goals*, it is important to critically assess the viability of ‘commitments’ to mobilize resources before developing countries broadly implement approaches to reduce emissions from deforestation in developing countries.

4. Key Implementation Phases

As developing countries consider approaches and incentives to reduce emissions from deforestation, a decision at COP-13 should outline a framework of future phases to facilitate action by developing countries that voluntarily wish to participate in: *Action Today, Activity 2008-2012, and post-2012*.

- a) **Phase 1: Action Today:** Before most developing countries can reduce emissions from deforestation, they must undertake a process of analysis, evaluation, piloting and implementation. The ‘readiness & pilots’ phase will have serious implications for the scale and effectiveness of any future activities and must be carefully managed and appropriately resourced.

1. *Readiness & Pilots:*

- i. *Analyze:* drivers of deforestation; data for land use change activity and related carbon stocks; reporting methods; economic implications, including opportunity costs; etc.
- ii. *Evaluate:* previous and ongoing policies and initiatives; institutional and legal requirements; future options; potential reductions; etc.
- iii. *Pilot:* market & non-market initiatives; variable scale under a 'national accounting' approach, including programmatic, sub-national and project implementation; institutional and legal programs and policies, etc.
- iv. *Implement:* re-analyze, re-evaluate, re-pilot (as required) and scale-up.

2. *Coordinating International Efforts:* The UNFCCC may consider inviting interested multilateral, bilateral and international agencies, via the UNFCCC Secretariat, to coordinate programs and initiatives for efficiency, consistency and to avoid redundancy. Inconsistent programs between agencies will complicate developing country participation and the effectiveness of related actions.

3. *Funding & Resources:* It is estimated that 'readiness activities' may require between \$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, like the World Bank's Forest Carbon Partnership Facility, should be commended and supported.

b) **Phase 2: Activity from 2008-2012:** Significant action to reduce emissions from deforestation is too important to wait until after 2012. Therefore, frameworks to encourage emission reductions from deforestation must be developed, facilitated and initiated immediately after Bali.

Activities under the Convention can facilitate development of approaches for implementation at the national, sub-national, local and project scales. While 2008-2012 activity should not be credited for compliance under the Kyoto Protocol's First Commitment Period, there can be significant learning-by-doing from activities under the Convention during this timeframe.

1. *Methodological Guidance:* 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).

- i. *National Accounting:* 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:

1. emissions from deforestation should be estimated using the most recently agreed reporting guidelines (2003 IPCC GPG);
 2. emission reductions from deforestation should be real, demonstrable, transparent and verifiable and the assessment should be results based;
 3. a national approach should assess emission reductions from deforestation on a conservative basis relative to a national emissions reference level;
 4. 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;
 5. a national emissions reference level for deforestation should be based on historical emissions from deforestation and should take into account national circumstances including a developmental adjustment factor;
 6. emission reductions from deforestation relative to a national emissions reference level may encompass sub-national and project approaches for implementation;
 7. 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;
 8. methods to address performance risks should be encouraged and could include use of reserve ratios, trust arrangements, risk pooling, etc.;
 9. application of these guidelines should be subject to an independent peer review following the existing precedent for LULUCF reporting for Annex-B Parties.
- ii. *Sub-National, Local and Project Implementation:* Sub-national, local and project-level activities are presently being applied by many Parties under the Convention (protected areas, national parks, sustainable forest management, state-led initiatives, etc.) and should be encouraged and expanded. Under a 'National Approach,' the implementation of policy approaches and positive incentives to reduce emissions from deforestation will be primarily undertaken as project, local and sub-national action. Therefore, it is important for the Parties to share experiences and lessons learned related to these activities.

To be clear, the Parties rejected 'project only' methodologies to account for reduced emissions from deforestation for the Kyoto Protocol primarily due to serious methodological concerns related to additionality, permanence and leakage. These methodological impediments remain. Therefore, it is considered unlikely that the UNFCCC will accept methodologies to allow project-based activities in isolation to be directly applicable as off-sets for carbon emissions markets.

Further, project-based methodologies could subsequently increase transactional costs, reduce flexibility of implementation, and erode international competitiveness for participating countries. Notwithstanding, based upon national circumstance, some developing countries may prefer to implement local and project-only approaches. Such efforts should be encouraged and greater resources could be mobilized under the Convention.

2. *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.
 - i. *Fungibility*: pre-2012 CRED units should be fungible against AAU units to be issued in post-2012 frameworks;
 - ii. *Volume Caps*: pre-2012 CREDs could be capped in volume to manage the supply accumulated before the post-2012 frameworks come into effect;
 - iii. *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;
 - iv. *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.
3. *Funding the Gap Years*: It is likely that several resource options will be required to fund efforts pre-2012. A decision at COP-13 must outline a framework and timetable that transparently mobilizes sufficient resources throughout this timeframe, possibly using differing funding sources applied during the three phases. For example:
 - i. *Readiness Activities* could utilize dedicated multilateral ODA. Such activities need urgent funding today.
 - ii. *Pilots* could utilize ODA to start and then transition to funds from inter-sectoral linkages (such as a voluntary tax on international airline emissions in Annex-1 countries) or implementation of a pre-2012 CRED market over the intermediate term.
 - iii. *National Approaches* could start by utilizing funds from inter-sectoral linkages during early years and then transition to facilitate participation by the private sector via a pre-2012 CRED market.

c) Phase 3: Future International Climate Change Agreements (post-2012):

Reducing emissions from deforestation – along with related issues such as conservation, afforestation/reforestation and sustainable forestry management – must become important elements of any future international agreements on climate change post-2012.

1. *Mobilizing Resources at Appropriate Scale*: Reducing emissions from deforestation will not be easy nor will it come cheaply. According to recent analysis, the Parties must consider generating \$10-\$15 billion per year to stimulate a meaningful global reduction of emissions from deforestation in developing countries. Financing reduced emissions from deforestation through deeper cuts within industrialized nations is the most viable option and likely the most synergistic. However, other options may be considered to finance related activities.
2. *Supply & Demand*: When considering cap-and-trade market instruments, 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 2008-2012 plus those earned through end of the 2nd commitment period (or other successive international agreement on climate change.)

3. *Flexible Basket of Instruments:* In light of differing national circumstances amongst developing countries seeking to reduce emissions from deforestation, the Parties must implement a 'flexible basket' of instruments that support sustainable development. Further, additional complementary instruments should be designed to accommodate developing nations with historically low rates of deforestation, those seeking to stabilize remaining forest cover and those seeking to increase afforestation/reforestation programs.
4. *Coordinating International Instruments:* 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.
5. *Methodological Standardization:* 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.
6. *Sustainable Forestry Management (SFM):* Many developing countries may be able to control deforestation and degradation through the implementation of sustainable forestry management practices. However, the standards imposed by the international community to achieve SFM are very high. Complying with SFM standards requires a significant increase in financial resources. Serious consideration should thus be given to provide adequate incentives to promote the broad implementation of SFM practices as this has been shown to be an effective approach to controlling deforestation in developing countries.
7. *Other International Agreements:* The Parties should request the UNFCCC Secretariat to promote synergies between existing conventions, treaties and international agreements with special attention given to reducing emissions from deforestation in developing countries.

5. Views on the conclusion of the 2-Year SBSTA process and beyond

COP-13 should request the SBSTA and SBI to report back on issues related to methodology and implementation at COP-15 with recommendations for the establishment of a mechanism to facilitate emissions reductions from deforestation in developing countries, including how to account for related emissions reductions achieved from 2008-2012 within any future international agreements on climate change taking effect after 2012.

- a) **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. 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)

b) **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, 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 carbon-based incentive frameworks. SBI should carry out work related to Items 1 – 2 below and report back at SBSTA-31 with recommendations to COP-15.

1. The possibilities for mobilizing the necessary resources set out above, and any additional options, to support the three phases outlined herein;
2. 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;

NOTES:

ⁱ IPCC Fourth Assessment Report, Working Group 3, Chapter 9, Executive Summary.

ⁱⁱ <http://unfccc.int/meetings/dialogue/items/4048.php>. See paragraph 17.

ⁱⁱⁱ The Stern Review on the Economics of Climate Change; Presentation by Sir Nick Stern to the United Nations: <http://www.un.org/ga/president/61/follow-up/climatechange/programme.shtml>

^{iv} IPCC Fourth Assessment Report, Working Group 3, Chapter 9, Executive Summary.

^v According to the UNFCCC, Annex 1 Countries emitted 18.4 billion tons of GHG in 1990 (without LULUCF). Further, the IPCC's 4th Assessment Report estimates that reducing emissions from deforestation by 50% could save 1.6 billion tons of CO₂ annually at cost under \$20/t CO₂e. In general terms, if Annex-B targets were deepened by around 9%, such a policy could generate around \$10 billion per year.

^{vi} In 2005, the UNFCCC estimated that international emissions for Annex-1 countries from air transport industries in 2002 was 202 MtCO₂e plus approximately 235 MtCO₂e in additional nationally-based emissions – with a steep emissions increase over the past decade. . In general terms, if Annex-1 international air transport CO₂ emissions were taxed around \$49 per ton or total emissions taxed around \$22 per ton, this could generate around \$10 billion per year.

^{vii} In the First Commitment Period, industrialized countries received their emissions allowances for free. As an incentive to keep allocations low, Parties could be required to buy emissions allowances with the proceeds used to finance additional mitigation activities. In general terms, assume targets are at least 12% below 1990 for the second commitment period, if allowances were sold or auctioned, an allocation around \$0.30 per ton CO₂e for each Annex-B emissions allowance during the second commitment period could provide around \$10 billion per year.

^{viii} The United States and the European Union consume about 35 billion barrels of oil per year. For example, Costa Rica has led the world by taxing fossil fuels and using these funds to successfully promote sustainable forestry. In general terms, if the

European Union and the United States applied a new tax of \$0.30 per barrel of oil (equivalent to \$0.015 per gallon or \$0.004 per liter of gas), such a policy could generate around \$10 billion per year.

^{ix} The IEA estimates that world energy subsidies were still \$250 billion in 2005 (\$80 billion in the OECD countries), with total subsidies to oil products amounting to \$90 billion. In general terms, OECD countries could reduce distorting energy subsidies by 12.5%; such a policy could generate around \$10 billion per year.

^x In 2003, Annex-1 Countries had a combined GDP of \$28 trillion, while contributing around \$79 billion in Overseas Development Aid (ODA = 0.28% of GDP.) While the governments of industrialized nations have committed within the United Nations to increase ODA to 0.7% of GDP, they have fallen short by over \$100 billion per year. In general terms, Annex-1 Countries could dedicate a 12.5% increase in ODA and generate an additional \$10 billion per year (while still falling short of their ODA commitments by over 50%.)

^{xi} Voluntary offset markets transactions totaled \$91 million in 2006, but this is expected to double in size next year. However, the main motive for companies to trade in the voluntary markets is to enhance their image of environmental stewardship and corporate social responsibility. Companies in the United States, which lacks mandatory limits on the gases, made up 68 percent of the unregulated carbon market's customers. Source: State of the Voluntary Markets 2007 -- Picking up Steam, authored by the Ecosystem Marketplace.

PAPER NO. 2: BRAZIL

Reducing emissions from deforestation in developing countries

Views from Brazil

The Subsidiary Body for Scientific and Technological Advice (SBSTA), at its twenty-sixth session, 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, for consideration at SBSTA-27 (document FCCC/SBSTA/2007/L.10, paragraphs 4).

The Government of Brazil welcomes the opportunity to submit views on the matter and restates its view that the debate on possible approaches to stimulate action under the Convention on this matter should continue to take into consideration the elements for a proposal focused on policy approaches and positive incentives to reduce emissions from deforestation in developing countries, presented as a submission by Brazil in 26 February 2007 (document FCCC/SBSTA/2007/MISC.2).

Submission of August 15, 2007

1. Introduction

SBSTA-26 invited Parties to submit their views on issues related to further steps related to reducing emissions from deforestation in developing countries: approaches to stimulate action.

In this submission, we propose a roadmap on further steps and discuss issues that we consider relevant for stimulating action at a scale that would be relevant to the ultimate objective of the UNFCCC.

Reduction of emissions from deforestation in developing countries (RED) should be real, transparent, demonstrable and verifiable. This principle is at the heart of our submission. We also want to recall two key issues that were mentioned in our earlier submissions.

- First, in many developing countries, institutional capacity needs to be strengthened in order to ensure successful implementation of RED activities within the overall frameworks of national development.
- Second, financing of RED efforts should be sufficient, stable and predictable.

Therefore the scale and scope of RED activities should be determined by, amongst other, national capacity and financing available.

2. Relevant issues

A flexible proposal:

We envision a progressive approach toward national RED efforts, allowing participation at both the national or the sub-national level depending on each country's choice, such as the one presented in detail in the Annex of this submission.

- (i) As a first step, participating countries would identify deforestation hotspots where addressing deforestation drivers is possible and examine national legislation and institutional capacity to create a context favorable to RED activities.
- (ii) Countries, that do not wish to start at the national level, would open the identified target areas for pilot projects to be implemented by private and/or public entities and insure that proposed projects are consistent with other conservation and development objectives. Project proponents should identify the drivers of deforestation and their proposed implementation strategy should explicitly address leakage

- avoidance. Countries would approve projects and establish a project inventory.
- (iii) Countries could engage in nation-wide efforts either: (i) after XX% of their forests are engaged RED activities or YY time has elapsed since the first RED activity has been approved; or (ii) voluntarily at any time if they so desire. When countries initiate the nation-wide efforts, their deforestation reference level should be determined to enable RED accounting.
 - (iv) Both steps described under (ii) and (iii) would lead to fungible carbon credits and could aid Annex I Parties to fulfill their future commitments.

Our proposal shows the flexibility that has characterized previous submissions by this group of countries. Its goal is to be inclusive and allow fair and equitable distribution and access to the incentives for RED by taking into account Parties' different national circumstances and capabilities. This inclusive approach would minimize the risk of international leakage as well as perverse incentives to deforest in order to achieve a more beneficial baseline for future mechanisms.

Projects are an important step in the process leading to the reduction of emissions at the national level. Based on our experience with the CDM, we believe that projects would support countries in generating knowledge through learning-by-doing. Parties would in parallel, and with international support, build their institutional and technical capabilities in order to initiate national efforts.

The RED debate:

The debate on RED has been plagued with issues that stem from the CDM negotiations, including additionality, leakage and permanence. Yet Parties have learned from the CDM and efforts to reduce emissions from deforestation should look at the issue with a fresh and well-informed vision.

The Stern Review confirmed that reducing emissions from deforestation will require the mobilization of very significant financial resources and that any delay would increase the cost of needed actions to reduce emissions. We cannot ignore the private sector's potential to inject part of the needed funds. It is highly unlikely that the private sector would participate in a mechanism which links investment risks to government and institutional performance. The mechanism proposed here facilitates activities attractive for private sector investment in RED with the support of host governments and therefore playing a role in promoting sustainable development as defined by the countries.

Leakage:

We propose to address leakage - a main concern with respect to project-based activities - by avoiding projects in which deforestation agents cannot be monitored and therefore leakage cannot explicitly be accounted for. Leakage should be assessed, monitored, quantified and independently verified. It should be discounted from the estimation of the verified emission reduction, thus creating an incentive for project developers to minimize leakage.

3. Roadmap:

1. CoP-13 should adopt a Decision including provisions on:
 - a. Implementation of capacity building and early action activities for reducing emissions from deforestation.
 - b. The consideration on the range of policy approaches and positive incentives proposed by Parties, including the one presented in the annex to this submission.
 - c. Such policy approaches and positive incentives should be considered in the context of any discussions of future international cooperation on climate change taking into account any other relevant work under the Convention.
2. SBSTA-28 should prepare a draft decision defining specific policy approaches and positive incentives to reduce emissions from deforestation for consideration of CoP-14, including the initiation of prompt start activities that may be considered for *ex post* crediting.
3. CoP-14 should ask SBSTA-30 to develop modalities and procedures to implement the policy approaches and positive incentives and make recommendations to be considered by CoP-15.

Annex

The "Nested Approach" A Flexible Approach to Reduce Emissions from Deforestation

1. Summary

In this paper, we propose an integrated approach to reward emission reductions from deforestation and, forest degradation ("REDD"). Long term protection of forests will depend on the mobilization of sufficient human and financial resources as well as on the capacity of public institutions to promote efficient and sustainable forest protection and management. One way to achieve the required level of resource mobilization is to match public financing with private capital. However, private investors as well as communities, local governments, and other sub-national entities may wish to control the risks associated to their financing and be rewarded for their efforts. Whereas it is important to integrate sub-national REDD activities in broader public programs, the rewarding of such sub-national activities should be de-linked from the risk of broader program failure. The "nested approach" proposed here defines a mechanism that grants tradable emission reduction credits to participants in REDD activities while promoting action on both the national and sub-national level. It also provides a framework to enhance the contribution of developing countries to global emission reductions that is consistent with the principle of common but differentiated responsibilities and capabilities.

2. Objective

The objective of this paper is to propose a framework aimed at achieving meaningful reductions in greenhouse gas ("GHG") emissions from deforestation. The authors call upon the Parties to the UNFCCC and the Kyoto Protocol to adopt a set of mechanisms allowing (i) for an immediate and broad participation by developing countries whilst (ii) facilitating the integration of private investors in such efforts.¹

3. Background

Emissions from deforestation in developing countries represent about 20% - 25% of global GHG emissions. Avoiding further deforestation and promoting conservation and sustainable forest management is the single largest opportunity for cost effective and immediate climate benefits. It can also provide a "bridge" to the clean energy technologies that are needed but which will take decades to develop and deploy in rural and forested areas. Effectively reducing deforestation is therefore a strategic issue in the climate change agenda for the period post 2012.

However, reducing emissions from deforestation will require a continuous international effort to build the required capacities and to sustain adequate levels of funding. Research carried out for the Stern Review² indicates that *"the opportunity cost of forest protection in 8 countries responsible for 70 per cent of emissions from land use could be around US\$ 5 billion annually, initially, although*

¹ The proposal intends to contribute to the ongoing discussions in the context of the UNFCCC by incorporating the different views and concerns expressed by Parties during the negotiation process started at the 13th Conference of the Parties in Montreal (2005). The proposal builds on a UNFCCC submission by CATIE and BVEK (http://unfccc.int/essential_background/library/items/3599.php?rec=j&preref=500004142#bcg).

² Stern Review (2006), Final Report. Part VI, Chapter 27. Cambridge University Press.

over time marginal costs would rise". Only market instruments can mobilize this level of investment and induce GHG emission reduction activities at a scale that would be adequate for pursuing the ultimate objective of the UNFCCC. It is also clear that such a level of investment in climate change mitigation cannot be mobilized by developing countries alone. It is therefore essential that the international climate regime creates a robust framework and stable incentives for investments in sustainable forestry and forest protection as a means to maintain current carbon assets contained in forests.

4. Cornerstones

Decades of international cooperation for the protection and development of forest resources in developing countries, as well as the recent establishment and the rapid growth of the international carbon market, provide the basis for the identification of some basic elements crucial for the success of any mechanism aimed at reducing emissions from deforestation in developing countries:

- Incentives to undertake REDD measures under the UNFCCC framework should accommodate different national circumstances and levels of capacity, so that countries are able to participate immediately and increase their participation as they enhance their capacities, thus allowing for a growing involvement in global emission reduction efforts.
- Traditional sources of funding will not suffice to achieve a meaningful reduction in emissions from deforestation. Market mechanisms that allow full private sector participation are the most promising tools to create sufficient financial transfers to reduce emissions from deforestation in developing countries. In order to mobilize the necessary investment flows into developing countries, a mechanism involving the private sector allowing for the commercialization of carbon credits is essential. The example of the CDM shows that private investments can dwarf public sector contributions.
- Any mechanism has to be embedded in a wider participation and deeper GHG emission reduction commitments by Annex 1 countries, and, an enhanced participation by non-Annex 1 countries.
- Countries and private actors have earned valuable experience with the implementation of emissions reduction activities in developing countries, i.e. the CDM. Scientific and methodological uncertainties have decreased and capacities have been increased. Consequently, the proposed mechanism should be consistent with the principles of the carbon market and rely on the technical and institutional infrastructure already in place.
- Incentives to reduce emissions from deforestation should be complemented by instruments to allow countries to build capacities and enhance the availability and quality of data, as well as to propose and implement effective policy measures.

5. Main Design Features of a REDD Mechanism

Based on the assumptions laid out above, we propose a double baseline-and-credit mechanism, which rewards government as well as public and private entities for lowering deforestation rates. The mechanism consists of the following elements:

- A country-wide scheme based on the following principles:
 - i. A defined target level of deforestation, which rewards lowering national deforestation levels.
 - ii. The creation of fungible carbon credits that are issued by an international body and can be used to comply with GHG targets.

- iii. Countries may allocate these credits to private entities and authorize them to trade the issued credits.
- iv. A mechanism of reserve credits, ensuring compliance with the agreed targets.
- A project based mechanism for REDD based on the following principles:
 - i. The authorization by host governments of private or public entities to implement REDD activities at the project level, regardless whether the host country has negotiated and registered national emission target level.
 - ii. Credits for these project activities would be issued directly to the public or private project entities through an international and independent mechanism, regardless of the achievement of national emission targets.
 - iii. Mechanisms addressing leakage and ensuring long term climate benefits.
 - iv. The creation of fungible carbon credits which can be used to comply with GHG targets.
- A voluntary early action phase, starting prior to 2012, rewarding private and public engagement in REDD activities and leading to a prompt start of the REDD mechanism.
- A fund to create enabling conditions and pilot experiences in non-Annex I countries complementing the market based mechanisms which should be established as soon as possible to encourage and enable early action.

6. Proposal for a REDD Mechanism

Success will depend on two elements: National and sub-national policies should be adopted to create an enabling environment for forest carbon conservation and management. Such enabling framework should create the conditions for private and public activities at the national, sub-national, local, and project level.

A mechanism is proposed to encourage developing countries to achieve emission reductions at the national level as soon as possible. However, due to different national circumstances and levels of international assistance, some countries will not be able to account for emission reductions at a national level immediately. We therefore propose a "nested approach", whereby project activities can start independently and immediately while national level emission reduction programs are progressively implemented by a larger number of countries. Developing countries would be able to decide on their initial level of participation in this mechanism. However, in case of implementation of activities at the sub-national level, once the total area of a participating country reaches XX% of its forest territory or, alternatively, more than YY years have elapsed since the start of the first sub-national activity, such country would have to adopt a national emission reduction goal. We consider such target as acceptable given that the implementation of sub-national activities and developing projects will create capacities in the countries. Developing countries could, at any time before reaching the limit proposed above, decide voluntarily to adopt a national emission reduction target. In addition, the approach should provide incentives for the participation in national level initiatives. One incentive could be that the national level accounting might use Tier-1 methods while project level accounting only Tier-2 or higher. Another incentive is that national level initiatives would not have to assess leakage, while project level accounting will have to assess, verify, and subtract leakage.

6.1 National Approach

Non-Annex I countries are encouraged to negotiate national target GHG emission levels from

deforestation and forest degradation. This level may be above or below the empiric deforestation level of the base-year or base reference period and be re-viewed periodically (i.e., for each crediting period) to account for structural and other relevant changes. As exact deforestation levels and future land use trends are uncertain, developing countries should be given sufficient time (and assistance) to assess these issues. Moreover, in order to be realistic and achievable, the emission reduction target to be pursued by each country should be established taking into account institutional barriers, agents and drivers of land-use change, growth projections, contrasting interests of different economic agents, and the multiple views on national sustainable development and other relevant elements as indicated by national circumstances. The success of reducing emissions from deforestation depends on developing countries being able to conclude this process with sufficient technical and financial assistance. This takes time. We therefore envision a roadmap with clearly defined milestones to reach the goal of establishing a national target level of GHG emissions from deforestation.

REDD credits shall be issued for any emission reduction below the agreed national target emission level. Such credits would be *permanent* and *fungible* with any other emission allowances and credits. XX% of the REDD credits issued from a country would not be traded to Annex I countries and will be held in a *mandatory reserve account* of the host country to guarantee compliance with the agreed target in future verification periods. Credits in this reserve account would represent net contributions to global emission reductions, as they would not be available to offset emissions in Annex I countries. Issuance of REDD credits would be overseen by a UNFCCC body according to the following principles:

- A target emission level would be defined for each crediting period, which may be equivalent to one or several Annex I commitment periods.
- If emissions from deforestation were above the target emission level in the initial verification periods, no credits would be issued and no emission debits accounted for.
- In case emissions from deforestation remained below the target emission level within a verification period, and REDD credits were issued for that period, the implementing country would have to compensate any potential future over-emission in subsequent verification periods. Consequently, in case of future emissions above the target emission level, the implementing country might either:
 - i. Offset the excess emissions by canceling REDD credits from its reserve account, or by acquiring REDD credits from other implementing countries' reserve accounts; and/or
 - ii. Over-comply in the subsequent verification period by an amount of emission reductions equivalent to the excess deforestation emissions of the previous verification period; and/or
 - iii. Request an adjustment of its target emission level for the subsequent verification period, arguing justifiable reasons of *force majeure* (such as large-scale forest destruction due to extreme climatic events and their consequences, war, terrorism, etc.) or improvements in the availability of data and methods. Any adjustment of the target emission level would be subject to either review and approval by the Parties, or independent validation and certification following transparent procedures, agreed by the Parties.

6.2 Sub-National Mechanism

In order to avoid delaying the emission reductions required for climate change mitigation, it is necessary to allow and encourage project level activities and the participation of the private sector. *Project-level activities can start sooner and in all countries, independently from activities at the national level and international support.* Successful project-level activities will further encourage governments to take action and will bend the learning curve upwards, since the private sector does

not only bring finance but also human resources. Some countries may be able to speed-up their national process and announce internationally on a voluntary national emission target already for the post-2012 period. Any country may authorize national and/or international private or public entities to develop and implement REDD activities at sub-national, local or project levels.

- Such REDD activities would have their own emission reference level and may be registered prior to (or after) reporting of the national target emission level.
- REDD activities would have to be authorized by host countries and implemented in accordance with their sustainable development policies.
- REDD credits from project activities shall be real, measurable and additional to any that would occur in their absence. They would be issued directly to the authorized project participants by the competent UNFCCC body, even in the case of excess deforestation emissions at the national level.
- Issuance of REDD credits for project activities would require that the activities be subject to validation, verification and certification procedures by an independent accredited body.
- Leakage-prone project types would be avoided by strict eligibility criteria. In addition, project leakages detected and independently verified would be:
 - i. Verified and subtracted in the calculation of emission reductions attributable to the REDD activity;
 - ii. Added to the national target emission level, once this level will have been negotiated and registered.
- To further enhance the contribution of developing countries to global emission reductions, credits issued to project activities would be either:
 - i. Temporary credits (similar to tCERs).
 - ii. Permanent credits with a mandatory reserve of credits to be transferred to the national reserve account).

Once a country has adopted a national target emission level only permanent credits would be issued.

In our view, the REDD crediting system described above is able to attract private capital into REDD activities, because successful project-based activities would be credited even in the case of excess deforestation emissions at the national level.

6.3 Supporting Instruments

We encourage the establishment of a multilateral fund which would finance activities aimed at creating enabling conditions, including institutional and technical capacities. The fund may include an enabling window and an activity window. The *enabling window* of the fund shall be disbursed on a grant basis. Part of its tasks shall be to develop reliable forest inventory data. An *activity window* of the fund may enable *early action activities* implemented prior to 2012 and any *posterior pilot activity* designed to test the effectiveness of capacities and measures to reduce emissions from deforestation.

To achieve the abovementioned goals a fund would require *identifying sources of sufficient, continued and predictable replenishment* from Annex I countries, especially if seen by the Parties as an alternative to market instruments. Therefore, in addition to voluntary contributions to kick-start capacity building and early action activities in developing countries, any new fund shall be fed by institutionalized mechanisms such as *inter alia*:

- an X% levy on Assigned Amounts first traded in the carbon market, similar to the one imposed on CERs, and/or
- fees on carbon intensive commodities and services in Annex I countries, and/or
- a levy on international transport emissions; and/or
- revenues from auctioning of credits in emission trading systems; and/or
- where emission trading systems have price caps, revenues from selling credits at the price-cap level.

7 Problems of Relying Only on National Level Accounting

Many UNFCCC negotiators appear to favor a REDD mechanism exclusively built on national scale accounting. Such a mechanism would go hand in hand with the establishment of a national emission reduction crediting system and require the definition of a national reference emission level and monitoring system. Credits would be issued only for emission reductions below the reference emission level. Such a system would *only be successful in those countries that are able to successfully implement effective policy, legal and institutional reforms nationwide, including appropriate social and economic safeguards, right away.* The time requirement, political cost, and failure risk of such reforms are likely to be high, as history shows, given the complexity of the deforestation problem and the cost and barriers of such a wide-scope activity. *Under a national emission reduction crediting system any failure to reduce emissions below the reference scenario would prevent a country from receiving the carbon revenues it needs to sustain and improve its efforts to reduce emissions in the long run, thus making subsequent actions more difficult to justify politically.*

A consequence of such a mechanism is that *countries with little capacity to implement forest protection measures right away, and thus most in need for international support, would not be able to participate in a system which rewards the nationwide reduction of deforestation emissions only.* It is further unlikely that private investors would be willing to share the risk of potential policy failure by directly supporting government programs. *It is improbable that the private sector would participate in a REDD mechanism which links investment risk to government and institutional performance.* In a system in which the allocation of funds and potential carbon credits takes place through host country governments, the political and legal risk of the mechanism will be considered too high as to attract private finance. *Therefore, it is important to assure that successful sub-national activities implemented by private and public entities will be credited regardless of possible under-compliance at the national-level or to establish a differentiated accounting system including two different courses of action, at the national and the sub-national project level.*

Finally, a policy framework allowing only national accounting will divert private capital to project activities outside the UNFCCC system, with the risk of double-counting of emission reductions under the two systems and possibly delaying the participation of key countries to the post 2012 regime.

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PAPER NO. 4: COLOMBIA

Colombian Submission on RED, approaches to stimulate action

In response to the SBSTA-26 invitation to Parties to submit their views on issues related to further steps related to reducing emissions from deforestation in developing countries: "approaches to stimulate action", Colombia submits the following views:

Colombia considers the issue of Reducing Emissions from Deforestation as a matter of high importance and priority to the national government.

In our view, some building blocks are required in order for non-Annex I parties to engage in significant RED activities; there is a need for international assistance in technical and institutional capacity building, assessment of developing countries' implementation capabilities and reference scenarios, technology transfer, and especially, the implementation of prompt-start activities prior to 2012 in order to learn by doing. The level of support received by developing countries will directly influence the rate and scale of implementation of significant RED activities.

We think that the Convention should continue considering issues related to scale of activities, and its impacts, as well as issues related to funding such as origin and sufficiency.

Keeping in mind the principle of common but differentiated responsibilities, developing countries must also start building up their potential for the implementation of RED activities, and identifying their needs.

As other Latin-American countries, we propose some basic elements or cornerstones such as:

- Incentives to undertake REDD measures under the UNFCCC framework should accommodate different national circumstances and levels of capacity, so that countries are able to participate immediately and increase their participation as they enhance their capacities, thus allowing for a growing involvement in global emission reduction efforts.
- Traditional sources of funding is not enough to achieve a meaningful reduction in emissions from deforestation. Market mechanisms that allow full private sector participation are the most promising tools to create sufficient financial transfers to reduce emissions from deforestation in developing countries. In order to mobilize the necessary investment flows into developing countries, a mechanism involving the private sector allowing for the commercialization of carbon credits is essential. The example of the CDM shows that private investments can dwarf public sector contributions.

- Any mechanism has to be embedded in a wider participation and deeper GHG emission reduction commitments by Annex I countries, and, an enhanced participation by non-Annex I countries.
- Countries and private actors have earned valuable experience with the implementation of emissions reduction activities in developing countries, i.e. the CDM. Scientific and methodological uncertainties are decreasing and capacities have been increased. Consequently, the proposed mechanism should be consistent with the principles of the carbon market and rely on the technical and institutional infrastructure already in place.
- Incentives to reduce emissions from deforestation should be complemented by instruments to allow countries to build capacities and enhance the availability and quality of data, as well as to propose and implement effective policy measures.”

A RED Mechanism

Colombia's vision is that immediate action needs to be taken in order to address the serious issue of deforestation and its many negative effects, including GHG emissions to the atmosphere. It is crucial to allow and encourage pilot and post 2012 project level activities and design them in ways that incorporate the private sector.

Colombia has already started evaluating its capacities for RED activity design, implementation and monitoring and also identifying its institutional, technical and financial needs. We have also started to identify potential areas for RED pilot activities in our territory.

We propose that any future RED mechanism considers the following key characteristics:

-a market-based system, where credits from RED activities are fungible, and can be used by Annex I countries to comply with their GHG targets

-activities would have to be approved by the host government and could be developed/implemented by public or private entities or local communities

-credits would be received directly by the public or private entities or local communities that implement the activities

-the issue of leakage or emissions displacement would be addressed through methodological design

-emission reference levels would be set for each of the areas of activity implementation

Steps Towards “Scaling-Up”

While we support project-based activities in order to ensure all non-Annex I party participation, equitable distribution and the consideration of different national circumstances and capabilities, we simultaneously are paving the way towards larger-scale activities and developing policy frameworks at a national level to guide our activities and enhance our capabilities of reducing emissions from deforestation.

In the meantime, while we learn through prompt-start activities and further on through credited projects, we propose that support for non Annex I countries is provided, to build their capabilities and information required to make full scale decisions.

The following are some of the steps we consider of importance to initiate this process:

- analysis of availability of international funding, investment and incentives
- analysis of cost of RED activities
- analysis of national available technical and institutional capabilities and ways and means to strengthen them
- analysis of direct and underlying drivers of deforestation and national capabilities of addressing them
- analysis of the viability of a national system to address permanence and leakage

Elaboró: Andrea García Guerrero/MAVDT
 Ana María Hernández/Asuntos Internacionales/MAVDT

PAPER NO. 5: DEMOCRATIC REPUBLIC OF THE CONGO ON BEHALF OF CAMEROON,
CENTRAL AFRICAN REPUBLIC, CONGO, DEMOCRATIC REPUBLIC OF THE CONGO,
EQUATORIAL GUINEA AND GABON

Reducing Emissions from Deforestation in Developing Countries.

SUBMISSION OF THE VIEWS OF CONGO BASIN COUNTRIES

PREAMBLE

This submission is presented by the Congo Basin countries under the umbrella of the Central Africa Forests Commission (COMIFAC), in accordance with the 1999 Declaration of the Central African Heads of State, dubbed "the Yaoundé Declaration", relating to the conservation and sustainable management of forest ecosystems in Central Africa.

The COMIFAC comprises ten countries namely Burundi, Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic, the Democratic Republic of Congo, Rwanda, Sao Tome and Principe and Chad. Angola is currently an observer member state.

The COMIFAC is a body created by Central African Heads of State for the joint management of forests in the Congo Basin through a common platform called "The Convergence Plan", which comprises ten priority areas. The first priority area lays a very particular stress on the 1992 Rio de Janeiro Conventions including the United Nations Framework Convention on Climate Change (UNFCCC).

The Congo Basin Forest Partnership (CBFP), launched at the 2002 World Summit on Sustainable Development in Johannesburg, brings together some thirty members made up of the Congo Basin countries, international NGOs, bilateral and multilateral development partners.

In order to support COMIFAC countries, several members of the CBFP contribute to the implementation of the Convergence Plan. Within this framework, support for COMIFAC actions aims at enabling a better mainstreaming of forest-related issues in the post-2012 climate regime.

This submission relating to "approaches to stimulate action" was prepared during a seminar held in Douala, Cameroon, from July 31 to August 3, 2007. It incorporates the specificities of Central African forests, which are being managed sustainably through forest and protected area management.

1. INTRODUCTION

In the context of this submission, the term "deforestation" shall mean a process resulting in the emission of greenhouse gases (GHGs) induced by human activities.

Deforestation comprises notably two distinct situations:

- the reduction/disappearance of forest cover accompanied by land-use change;
- the degradation of forests: decrease of carbon stock per unit area not resulting in the reduction/disappearance of forest cover.

The drivers of deforestation are many and complex. They also differ between and within countries and regions. Consequently, all measures taken to reduce emissions from deforestation will have to take into account local, national and regional specificities.

In spite of the many efforts made in developing countries so far to reduce deforestation, few experiences got success.

Vulnerability vis-à-vis climate change calls for additional efforts to effectively reduce emissions from deforestation. To this end, developing countries, particularly those of Central Africa, need new and additional financial resources, technical assistance and various partnerships.

In the context of the countries of Central Africa, the reduction / disappearance of forest cover resulting in land-use change is due to extreme poverty and the development needs of the populations.

Degradation resulting from, amongst other things, high impact and/or uncontrolled logging is taking alarming proportions. It is likely to affect nearly 60% of productive forest lands in the Congo Basin. With the aim of ensuring the conservation and sustainable management of Central African forest ecosystems, 55% of forest lands on lease are under management. This accounts for 23% of productive land.

The countries of the Congo Basin think that their efforts are beneficial to the climate and therefore demand that they be taken into consideration in the future regime.

The countries of the Congo Basin also wish to recall the following key principles stated in their previous submissions:

- Real benefit for the climate;
- Common but differentiated responsibility;
- Sovereignty of States and sustainable development;
- Equity;
- Cost – effectiveness;
- Need for additional resources;
- Quick start, while preserving the integrity of existing mechanisms.

2. KEY MESSAGES

2.1 → Degradation

The concept of reducing emissions from deforestation must be understood in its broadest meaning. It covers the reduction of emissions from all the carbon sinks of forest ecosystems and all greenhouse gases.

Also, the consideration of degradation as part of deforestation constitutes an essential priority for the countries of the Congo Basin. Degradation is proved to have a considerable impact on world climate regulation (State of the forests of the Congo Basin, 2006). It is therefore necessary to fully incorporate this issue in the debate on reduction of emissions from deforestation.

The report of the Cairns workshop makes it clear that the taking into account of degradation does not pose methodological problems. It is now possible to measure the reduction of GHG emissions from degradation in developing countries with the needed level of accuracy.

There are existing tools to estimate forest land change (remote sensing, forest inventories, inventories of greenhouse gases in the forest sector), carbon stocks (by biome type, forest typology, allometric equations). When combined, these groups of variables facilitate the calculation of emissions from deforestation and degradation.

National communications, the Intergovernmental Panel on Climate Change's (IPCC) best practices manual relating to forests, the evaluation of emission factors and revision procedures

guarantee the quality of data. Moreover, existing methodologies now make it possible for all countries to take part according to their specificities and national capacities.

2.2 → National Approach / Project Approach

The Congo Basin countries took note that the establishment of mechanisms for reducing emissions from deforestation can rely on various levels of action - local and national. Given the diversity of national circumstances, it is important to be open-minded and flexible in selecting the approaches and the relevant level of action to be adopted.

2.3 → Reference Scenario

The early efforts made by countries of the Congo Basin in the past now accounts for the low rates of deforestation registered in this region compared to the other inter-tropical forest zones. Reference scenarios based only on historical trends strongly penalize countries of the Congo Basin. The latter therefore propose that the reference scenario (be it in a national or project approach) should, besides the historical trend, include a development adjustment factor which will take into account national and international circumstances, for example, demographic trends, agriculture, food self-sufficiency, infrastructure development and renewable energies. Additionally, countries of the Congo Basin propose that the reference scenario be adjusted periodically (every 5 years).

→ The REDD market mechanism option

Reducing emissions from deforestation requires heavy investments in terms of sustainable management of forests and others. For example, the opportunity cost of protecting forests in 8 countries responsible for 70% of emissions from land-use change activities is estimated at between 5 and 11 billion dollars annually by the Stern Review.

Efforts in reducing emissions from deforestation in developing countries can generate additional benefits for the climate only if an effective demand of Annex I nations, based on the "Cap-and-Trade" market mechanism linked to the commitments of the countries of the North, really exists. Only the carbon market mechanism can generate such resources and ensure sustainable funding via the imposition of binding GHG emissions reduction targets for Annex 1 countries.

The financial mechanism to be set up must make it possible to generate foreseeable, lasting and sufficient resources.

2.4 → Stabilization Fund

The countries of the Congo Basin harbour the second largest tropical forest in the world. These forests constitute a carbon stock of world major importance in terms of climate regulation. For this reason, the Congo Basin countries play a key role in the climate regime and are making efforts to ensure the conservation and sustainable management of their forests.

Consequently, the countries of the Congo Basin propose the establishment of a stabilization fund for remunerating forest carbon stocks. This fund, which should be foreseeable, shall draw its resources from:

- taxes on the sale of REDD credits;
- additional funding provided by Annex 2 countries;
- taxes on carbon-intensive goods and services;
- other financial instruments.

The utilisation of this fund could be subjected to a scale based not only on carbon stocks but also on criteria such as surface area sustainably managed and surface area protected, which recognize the efforts made in ensuring the sustainable management of forest ecosystems. Weighting systems will be developed with a view to prioritising some of the criteria mentioned above.

3. ROAD MAP

In September 2007, an inter-session will have to address outstanding methodological issues. In December 2007, the 27th session of the Subsidiary Body for Scientific and Technological Advice (SBSTA27) will have to agree on a draft decision to be adopted at the 13th session of the Conference of the parties (COP13). This decision will have to rule on the policy approaches and positive incentives, notably those concerning the taking into account of degradation and preservation of carbon stocks. This decision will have to be in accordance with discussions on the future international climate change regime, by taking account of other relevant work carried out under the Convention.

It is also desirable that, by COP13, a range of pilot projects, including capacity building activities (learning by doing), should be initiated in forested developing nations.

Subject to the provision of funding for pilot activities and capacity building, submissions on methodological issues presented by the Parties could be forwarded to the Secretariat by March 2008 in order to provide, on the basis of in the field experience gathered, clarifications on outstanding issues.

In May 2008, the SBSTA28 will have to initiate a new draft decision to further define policy approaches and positive incentives.

Before September 2008, the Secretariat of Convention will have to provide a blueprint for the presentation of pilot projects, in order to facilitate the formulation of communications.

In December 2008, the SBSTA29 will have to agree on a draft decision to be adopted at the COP14.

By December 2009 and the COP15 to be held in Copenhagen, the outstanding issues will have to be addressed, in order to facilitate the incorporation of the decisions in a post-2012 regime.

Réduction des émissions résultant du déboisement dans les pays en développement.

SOUSSION DES VUES DES PAYS DU BASSIN DU CONGO

PREAMBULE

Cette soumission est présentée par les Pays du Bassin du Congo réunis au sein de la Commission des Forêts d'Afrique Centrale (COMIFAC), conformément à la Déclaration des Chefs d'Etat de 1999, dite « Déclaration de Yaoundé », relative à la conservation et à la gestion durable des écosystèmes forestiers d'Afrique Centrale.

La COMIFAC regroupe 10 pays : Burundi, Cameroun, Congo, Gabon, Guinée Equatoriale, République Centrafricaine, République Démocratique du Congo, Rwanda, Sao Tomé et Príncipe et Tchad. L'Angola est actuellement membre observateur.

La COMIFAC est un organe créé par les Chefs d'Etat en vue de gérer de manière concertée les forêts du Bassin du Congo à travers une plate-forme commune dénommée « Plan de Convergence », qui comprend dix axes stratégiques. Le premier axe met un accent tout particulier sur les Conventions de Rio de Janeiro de 1992 dont la Convention Cadre des Nations Unies sur les Changements Climatiques (CCNUCC).

Le Partenariat pour les Forêts du Bassin du Congo (PFBC), lancé en 2002 lors du Sommet Mondial sur le Développement Durable de Johannesburg, regroupe 34 membres composés des pays du Bassin du Congo, des ONG internationales et des partenaires au développement (bilatéraux et multilatéraux).

Pour appuyer les pays de la COMIFAC, plusieurs membres du PFBC contribuent à la mise en œuvre du Plan de Convergence. Dans ce cadre, l'appui apporté à la COMIFAC vise à assurer une meilleure prise en compte de la forêt dans le régime post-2012.

La présente soumission portant sur « approches en faveur de l'action » a été préparée lors d'un séminaire tenu à Douala, Cameroun, du 31 juillet au 3 août 2007. Elle

intègre les spécificités des forêts d'Afrique Centrale, engagées dans un processus de gestion durable à travers l'aménagement forestier et les aires protégées.

1. INTRODUCTION

Dans le contexte de cette soumission, le terme « déforestation » désigne un processus conduisant à l'émission de gaz à effet de serre (GES) relevant d'activités humaines.

La déforestation inclut notamment deux situations distinctes :

- la réduction / disparition du couvert forestier avec changement d'usage des terres,
- la dégradation de la forêt : baisse du stock de carbone par unité de surface ne conduisant pas à la réduction / disparition du couvert forestier.

Les causes de la déforestation sont multiples et complexes et diffèrent entre et au sein des pays et régions. Toutes mesures prises pour contrôler les émissions liées à la déforestation devront prendre en compte les spécificités locales, nationales et régionales.

En dépit des nombreux efforts effectués pour lutter contre la déforestation dans les pays en développement, les expériences réussies sont peu nombreuses.

La vulnérabilité face au changement climatique exige des efforts supplémentaires pour diminuer effectivement les émissions liées à la déforestation. A cet effet, les pays en développement, particulièrement ceux d'Afrique Centrale, ont besoin de ressources financières nouvelles et additionnelles, d'assistance technique et de partenariats divers.

Dans le contexte des pays d'Afrique Centrale, la réduction / disparition du couvert forestier conduisant à un changement d'utilisation des terres est due à l'extrême pauvreté des populations et à leurs besoins de développement. Elle reste modeste comparée à d'autres régions du monde.

La dégradation liée entre autre à une exploitation forestière à fort impact et/ou non maîtrisée est quant à elle un phénomène important. Elle est susceptible de concerner près de 60% de la surface productive des forêts du Bassin du Congo. Dans le souci de conserver et de gérer durablement ses écosystèmes forestiers, 55% des surfaces forestières concédées sont engagées dans un processus d'aménagement, ce qui représente 23% de la surface productive.

Les pays du bassin du Congo considèrent que les efforts réalisés sont bénéfiques pour le climat et revendiquent leur prise en compte dans le régime futur.

Les pays du bassin du Congo souhaitent également faire référence aux principes-clés énoncés dans leurs soumissions précédentes, à savoir :

- Bénéfices réels pour le climat,
- Responsabilité commune mais différenciée,
- Souveraineté des Etats et Développement Durable,

- Equité,
- Rapport coût efficacité,
- Ressources additionnelles,
- Actions rapides préservant l'intégrité des mécanismes existants.

2. MESSAGES-CLEFS

2.1 Dégradation

La notion de réductions d'émissions issues de la déforestation doit s'entendre dans son acceptation la plus large, soit dans la réduction des émissions issues de tous les réservoirs de carbone des écosystèmes forestiers et des gaz à effet de serre autre que le CO₂.

Aussi, la prise en compte de la dégradation au même titre que la déforestation constitue une priorité essentielle pour les pays du Bassin du Congo. Il est prouvé que la dégradation a un impact non négligeable sur la régulation du climat mondial (Etat des forêts du Bassin du Congo, 2006). Il faut donc intégrer pleinement cette question dans la réduction des émissions résultant de la déforestation,

Le rapport de l'atelier de Cairns indique clairement que la prise en compte de la dégradation ne pose pas de problèmes méthodologiques. Il est actuellement possible de mesurer les réductions des émissions de GES issues de la dégradation dans les pays en développement, avec une précision suffisante.

Des outils existent pour estimer les changements de surface des forêts (télédétection, inventaires forestiers, inventaires de gaz à effet de serre dans le secteur forestier, ...), les stocks de carbone (moyennes par biomes, typologie forestière, équations allométriques, ...). Combinés, ces groupes de variables permettent le calcul des émissions résultant de la déforestation et de la dégradation.

Les communications nationales, le guide des bonnes pratiques du GIEC sur les forêts, l'évaluation des facteurs d'émissions et les procédures de révision garantissent la qualité des données. Plus important encore, les méthodologies existantes permettent à tous les pays de participer dès maintenant en fonction de leurs spécificités et de leurs capacités nationales.

2.2 Approche Nationale / Approche Projet

Les pays du bassin du Congo ont pris acte que la mise en place de mécanismes qui visent à la réduction des émissions résultant de la déforestation peut concerner différents niveaux d'action, notamment local et national. Face à la diversité des circonstances nationales, il est important de garder de la souplesse et de la flexibilité dans le choix des approches et du niveau d'actions pertinents à adopter.

2.3 Scénario de référence

Les pays du bassin du Congo ont eu un comportement vertueux dans le passé qui explique aujourd'hui que dans cette région, les taux de déforestation sont restés faibles par rapport aux autres massifs forestiers des zones intertropicales.

Des scénarios de référence uniquement basés sur des tendances historiques pénaliseraient fortement les pays du bassin du Congo. Ces derniers proposent que le scénario de référence (que ce soit dans une approche nationale ou projet) basé sur la tendance historique ajoute un facteur d'ajustement intégrant le développement qui prendra en compte les circonstances nationales et internationales (par exemple : l'évolution démographique, l'agriculture, l'autosuffisance alimentaire, le développement des infrastructures, les énergies renouvelables, ...).

Par ailleurs, les pays du bassin du Congo proposent que le scénario de référence soit périodiquement ajusté (5 ans).

2.4 L'option de marché pour le mécanisme REDD

Selon le 4ème rapport du GIEC, la réduction des émissions résultant de la déforestation présente un potentiel de réduction de l'ordre de 15 à 30% des émissions de GES.

La réduction des émissions résultant de la déforestation nécessite des investissements supplémentaires en termes de gestion durable des forêts et autres. A titre indicatif, le coût d'opportunité de la protection des forêts dans 8 pays responsables pour 70% des émissions résultant des activités de changement d'usage du sol, est estimé entre 5 et 11 milliards de dollars par an selon le rapport Stern.

Les efforts pour réduire les émissions résultant de la déforestation dans les pays en développement ne pourront générer des bénéfices additionnels sur le climat que si une demande effective des pays de l'Annexe I, basée sur un mécanisme de marché de type « Cap and Trade » lié à des engagements des Pays du Nord existe réellement. Seul le mécanisme de marché de carbone peut générer des telles ressources et assurer la pérennité des financements via l'imposition de contraintes constantes des pays développés en terme de réduction de leurs émissions de GES.

Le mécanisme financier à mettre en place doit permettre de générer des ressources prévisibles, stables et suffisantes.

2.5 Fonds de stabilisation

Les Pays du bassin du Congo détiennent le deuxième massif forestier tropical dense et humide du monde. Ces forêts représentent une réserve de carbone d'importance mondiale pour la régulation du climat. A ce titre, les pays du bassin du Congo ont une responsabilité importante dans le régime climatique et de ce fait, font des efforts pour conserver et gérer durablement leurs forêts.

En conséquence, les pays du Bassin du Congo proposent la mise en place d'un fonds de stabilisation rémunérant les stocks de carbone sur pied. Ce fonds doit être prédictible à long terme et alimenté par :

- une taxe sur les produits et services à fort impact en carbone,
- des financements additionnels fournis par les pays de l'annexe 2,
- une taxe sur la vente des crédits REDD,
- d'autres instruments financiers,

L'allocation de ce fonds pourrait être soumise à une clé de répartition bâtie, en plus des stocks de carbone, sur des critères tels que surfaces aménagées et surfaces protégées, qui reconnaissent les efforts notables dans la gestion durable des écosystèmes forestiers. Des systèmes de pondération sont envisageables pour privilégier certains des critères évoqués ci-dessus.

3. FEUILLE DE ROUTE

En septembre 2007, une intersession devra traiter des questions méthodologiques en suspens.

En décembre 2007, le SBSTA27 devra s'accorder sur un projet de décision à adopter à la COP13. Cette décision devra statuer sur les approches politiques et les incitations positives, et notamment celles concernant la prise en compte de la dégradation et le maintien des stocks de carbone. Cette décision devra pouvoir être cohérente avec les discussions sur le régime international futur concernant le changement climatique, en tenant compte d'autres travaux pertinents menés dans le cadre de la Convention.

D'ici la COP13, il est également souhaitable qu'une gamme de projets pilotes, incluant des activités de renforcement de capacités (apprentissage par l'action), soit initiée de façon large dans les pays en développement ayant des forêts.

Sous réserve de mise à disposition de financements pour les activités pilotes et le renforcement des capacités, des soumissions des Parties sur les éléments méthodologiques pourront être transmises au Secrétariat d'ici mars 2008 afin de fournir, sur la base d'un retour d'expériences, des clarifications sur les questions en suspens.

En mai 2008, le SBSTA28 devra initier un nouveau projet de décision pour définir plus précisément les approches politiques et incitations positives.

Avant septembre 2008, le Secrétariat de la Convention devra fournir un canevas de présentation pour les projets pilotes, afin de faciliter la préparation des communications.

En décembre 2008, le SBSTA29 devra s'accorder sur un projet de décision à adopter à la COP14.

D'ici décembre 2009 et la COP15 de Copenhague, les questions en suspens devront être résolues, afin de faciliter l'intégration des décisions dans un régime post-2012.

PAPER NO. 6: JAPAN

**Japan's view on further steps under the Convention
related to "Reducing emissions from deforestation in developing countries"**

"Reducing emissions from deforestation in developing countries (REDD)" was raised at COP11, has been discussed at SBSTA, and is to be reported to SBSTA27 along with recommendations to COP13. At SBSTA26, Parties were invited to submit their views on further steps related to REDD under the Convention by August 15, 2007.

Japan has already submitted its views in March, 2006 and February, 2007 respectively (FCCC/SBSTA/2006/MISC.5, FCCC/SBSTA/2007/MISC.2), and we welcome the opportunity to further present our view, and would like to submit the following based on international discussions and information provided by Parties, organizations as well as the secretariat.

1. Various views and opinions have been submitted by Parties and organizations regarding REDD, and Japan considers that major points have been covered in the previous two workshops (August, 2006 and March, 2007). Further, we are of the view that the establishment of a reference baseline, as well as monitoring and verification are significantly important, and believe that these should be discussed in relation not only to deforestation but also to forest degradation. We are also of the view that an appropriate distribution of benefits from emissions reduction among stakeholders, including local communities, is necessary in order to achieve sustainable reduction of emissions.
2. In the previous two workshops, several proposals have been made on the points mentioned in paragraph 1 above, but further accumulation of information is necessary for comparison of those proposals. Therefore, pilot activities should be conducted to obtain knowledge and experiences for further analysis. In view of effectively carrying out the pilot activities, it is important that there be close coordination among implementing Parties and organizations.
3. In order to introduce new policy approaches and positive incentives, capacity building is indispensable for improving institutional and capacity development in developing countries. We expect that valuable knowledge and experiences would be obtained for the consideration of a future effective scheme through those capacity building activities.
4. We propose that Parties and organizations provide information obtained through pilot activities and capacity building to the secretariat, so that the secretariat can compile them into working documents. We regard that ample time should be given before submitting useful information obtained through pilot activities and capacity building for future discussions.
5. Sustainable forest management is the basis for sustainable reduction of emissions from deforestation and forest degradation, and it is also necessary to consider if multiple functions of the forest other than carbon fixing are properly maintained and demonstrated as well.
6. In this connection, it is important to obtain best practices from the past as well as on-going projects on practical measures to reduce emissions through sustainable forest management. We propose to ask Parties and organizations to provide the secretariat with the best practices to share information.
7. To this end, we propose to hold workshops on specific subjects selected from each of the points mentioned in paragraph 1 above, and discuss the appropriateness of proposals based on the information collected in paragraph 4 above, taking into consideration the best practices collected in accordance with paragraph 6 above.

A FLEXIBLE APPROACH TO REDUCE EMISSIONS FROM DEFORESTATION

SUBMISSION BY THE REPUBLIC OF PARAGUAY ON BEHALF OF ESTADOS UNIDOS MEXICANOS, HONDURAS, PANAMÁ AND PERÚ

1. Introduction

SBSTA-26 invited Parties to submit their views on issues related to further steps related to reducing emissions from deforestation in developing countries: approaches to stimulate action.

In this submission, we propose a roadmap on further steps and discuss issues that we consider relevant for stimulating action at a scale that would be relevant to the ultimate objective of the UNFCCC.

Reduction of emissions from deforestation in developing countries (RED) should be real, transparent, demonstrable and verifiable. This principle is at the heart of our submission. We also want to recall two key issues that were mentioned in our earlier submissions.

- First, in many developing countries, institutional capacity needs to be strengthened in order to ensure successful implementation of RED activities within the overall frameworks of national development.
- Second, financing of RED efforts should be sufficient, stable and predictable.

Therefore the scale and scope of RED activities should be determined by, amongst other, national capacity and financing available.

2. Relevant issues

A flexible proposal:

We envision a progressive approach toward national RED efforts, allowing participation at both the national or the sub-national level depending on each country's choice, such as the one presented in detail in the Annex of this submission.

- (i) As a first step, participating countries would identify deforestation hotspots where addressing deforestation drivers is possible and examine national legislation and institutional capacity to create a context favorable to RED activities.

- (ii) Countries, that do not wish to start at the national level, would open the identified target areas for pilot projects to be implemented by private and/or public entities and insure that proposed projects are consistent with other conservation and development objectives. Project proponents should identify the drivers of deforestation and their proposed implementation strategy should explicitly address leakage avoidance. Countries would approve projects and establish a project inventory.
- (iii) Countries could engage in nation-wide efforts either: (i) after XX% of their forests are engaged RED activities or YY time has elapsed since the first RED activity has been approved; or (ii) voluntarily at any time if they so desire. When countries initiate the nation-wide efforts, their deforestation reference level should be determined to enable RED accounting.
- (iv) Both steps described under (ii) and (iii) would lead to fungible carbon credits and could aid Annex I Parties to fulfill their future commitments.

Our proposal shows the flexibility that has characterized previous submissions by this group of countries. Its goal is to be inclusive and allow fair and equitable distribution and access to the incentives for RED by taking into account Parties' different national circumstances and capabilities. This inclusive approach would minimize the risk of international leakage as well as perverse incentives to deforest in order to achieve a more beneficial baseline for future mechanisms.

Projects are an important step in the process leading to the reduction of emissions at the national level. Based on our experience with the CDM, we believe that projects would support countries in generating knowledge through learning-by-doing. Parties would in parallel, and with international support, build their institutional and technical capabilities in order to initiate national efforts.

The RED debate:

The debate on RED has been plagued with issues that stem from the CDM negotiations, including additionality, leakage and permanence. Yet Parties have learned from the CDM and efforts to reduce emissions from deforestation should look at the issue with a fresh and well-informed vision.

The Stern Review confirmed that reducing emissions from deforestation will require the mobilization of very significant financial resources and that any

delay would increase the cost of needed actions to reduce emissions. We cannot ignore the private sector's potential to inject part of the needed funds. It is highly unlikely that the private sector would participate in a mechanism which links investment risks to government and institutional performance. The mechanism proposed here facilitates activities attractive for private sector investment in RED with the support of host governments and therefore playing a role in promoting sustainable development as defined by the countries.

Leakage:

We propose to address leakage - a main concern with respect to project-based activities - by avoiding projects in which deforestation agents cannot be monitored and therefore leakage cannot explicitly accounted for. Leakage should be assessed, monitored, quantified and independently verified. It should be discounted from the estimation of the verified emission reduction, thus creating an incentive for project developers to minimize leakage.

3. Roadmap:

1. CoP-13 should adopt a Decision including provisions on:
 - a. Implementation of capacity building and early action activities for reducing emissions from deforestation.
 - b. The consideration on the range of policy approaches and positive incentives proposed by Parties, including the one presented in the annex to this submission.
 - c. Such policy approaches and positive incentives should be considered in the context of any discussions of future international cooperation on climate change taking into account any other relevant work under the Convention.
2. SBSTA-28 should prepare a draft decision defining specific policy approaches and positive incentives to reduce emissions from deforestation for consideration of CoP-14, including the initiation of prompt start activities that may be considered for *ex post* crediting.
3. CoP-14 should ask SBSTA-30 to develop modalities and procedures to implement the policy approaches and positive incentives and make recommendations to be considered by CoP-15.

Annex

The “Nested Approach”

A Flexible Approach to Reduce Emissions from Deforestation

1. Summary

In this submission, we propose an integrated approach to reward emission reductions from deforestation and, forest degradation (“REDD”). Long term protection of forests will depend on the mobilization of sufficient human and financial resources as well as on the capacity of public institutions to promote efficient and sustainable forest protection and management. One way to achieve the required level of resource mobilization is to match public financing with private capital. However, private investors as well as communities, local governments, and other sub-national entities may wish to control the risks associated to their financing and be rewarded for their efforts. Whereas it is important to integrate sub-national REDD activities in broader public programs, the rewarding of such sub-national activities should be de-linked from the risk of broader program failure. The “nested approach” proposed here defines a mechanism that grants tradable emission reduction credits to participants in REDD activities while promoting action on both the national and sub-national level. It also provides a framework to enhance the contribution of developing countries to global emission reductions that is consistent with the principle of common but differentiated responsibilities and capabilities.

2. Objective

The objective of this paper is to propose a framework aimed at achieving meaningful reductions in greenhouse gas (“GHG”) emissions from deforestation. The authors call upon the Parties to the UNFCCC and the Kyoto Protocol to adopt a set of mechanisms allowing (i) for an immediate and broad participation by developing countries whilst (ii) facilitating the integration of private investors in such efforts.¹

3. Background

Emissions from deforestation in developing countries represent about 20% - 25% of global GHG emissions. Avoiding further deforestation and promoting conservation and sustainable forest management is the single largest opportunity for cost effective and immediate climate benefits. It can also provide a “bridge” to the clean energy technologies that are needed but which will take decades to develop and deploy in rural and forested areas. Effectively reducing deforestation is therefore a strategic issue in the climate change agenda for the period post 2012.

However, reducing emissions from deforestation will require a continuous international effort to build the required capacities and to sustain adequate levels of funding. Research carried out for the Stern Review² indicates that *“the opportunity cost of forest protection in 8 countries responsible for 70 per cent of emissions from land use could be around US\$ 5 billion annually, initially, although over time marginal costs would rise”*. Only market instruments can mobilize this level of investment

¹ The proposal intends to contribute to the ongoing discussions in the context of the UNFCCC by incorporating the different views and concerns expressed by Parties during the negotiation process started at the 11th Conference of the Parties in Montreal (2005). The proposal builds on a UNFCCC submission by CATIE and BVEK (http://unfccc.int/essential_background/library/items/3599.php?rec=j&preref=500004142#beg).

² Stern Review (2006), Final Report. Part VI, Chapter 27. Cambridge University Press.

and induce GHG emission reduction activities at a scale that would be adequate for pursuing the ultimate objective of the UNFCCC. It is also clear that such a level of investment in climate change mitigation cannot be mobilized by developing countries alone. It is therefore essential that the international climate regime creates a robust framework and stable incentives for investments in sustainable forestry and forest protection as a means to maintain current carbon assets contained in forests.

4. Cornerstones

Decades of international cooperation for the protection and development of forest resources in developing countries, as well as the recent establishment and the rapid growth of the international carbon market, provide the basis for the identification of some basic elements crucial for the success of any mechanism aimed at reducing emissions from deforestation in developing countries:

- Incentives to undertake REDD measures under the UNFCCC framework should accommodate different national circumstances and levels of capacity, so that countries are able to participate immediately and increase their participation as they enhance their capacities, thus allowing for a growing involvement in global emission reduction efforts.
- Traditional sources of funding will not suffice to achieve a meaningful reduction in emissions from deforestation. Market mechanisms that allow full private sector participation are the most promising tools to create sufficient financial transfers to reduce emissions from deforestation in developing countries. In order to mobilize the necessary investment flows into developing countries, a mechanism involving the private sector allowing for the commercialization of carbon credits is essential. The example of the CDM shows that private investments can dwarf public sector contributions.
- Any mechanism has to be embedded in a wider participation and deeper GHG emission reduction commitments by Annex I countries, and, an enhanced participation by non-Annex I countries.
- Countries and private actors have earned valuable experience with the implementation of emissions reduction activities in developing countries, i.e. the CDM. Scientific and methodological uncertainties have decreased and capacities have been increased. Consequently, the proposed mechanism should be consistent with the principles of the carbon market and rely on the technical and institutional infrastructure already in place.
- Incentives to reduce emissions from deforestation should be complemented by instruments to allow countries to build capacities and enhance the availability and quality of data, as well as to propose and implement effective policy measures.

5. Main Design Features of a REDD Mechanism

Based on the assumptions laid out above, we propose a double baseline-and-credit mechanism, which rewards government as well as public and private entities for lowering deforestation rates. The mechanism consists of the following elements:

- A country-wide scheme based on the following principles:
 - i. A defined target level of deforestation, which rewards lowering national deforestation levels.
 - ii. The creation of fungible carbon credits that are issued by an international body and can be used to comply with GHG targets.
 - iii. Countries may allocate these credits to private entities and authorize them to trade the issued credits.

- iv. A mechanism of reserve credits, ensuring compliance with the agreed targets.
- A project based mechanism for REDD based on the following principles:
 - i. The authorization by host governments of private or public entities to implement REDD activities at the project level, regardless whether the host country has negotiated and registered national emission target level.
 - ii. Credits for these project activities would be issued directly to the public or private project entities through an international and independent mechanism, regardless of the achievement of national emission targets.
 - iii. Mechanisms addressing leakage and ensuring long term climate benefits.
 - iv. The creation of fungible carbon credits which can be used to comply with GHG targets.
- A voluntary early action phase, starting prior to 2012, rewarding private and public engagement in REDD activities and leading to a prompt start of the REDD mechanism.
- A fund to create enabling conditions and pilot experiences in non-Annex I countries complementing the market based mechanisms which should be established as soon as possible to encourage and enable early action.

6. Proposal for a REDD Mechanism

Success will depend on two elements: National and sub-national policies should be adopted to create an enabling environment for forest carbon conservation and management. Such enabling framework should create the conditions for private and public activities at the national, sub-national, local, and project level.

A mechanism is proposed to encourage developing countries to achieve emission reductions at the national level as soon as possible. However, due to different national circumstances and levels of international assistance, some countries will not be able to account for emission reductions at a national level immediately. We therefore propose a “nested approach”, whereby project activities can start independently and immediately while national level emission reduction programs are progressively implemented by a larger number of countries. Developing countries would be able to decide on their initial level of participation in this mechanism. However, in case of implementation of activities at the sub-national level, once the total area of a participating country reaches XX% of its forest territory or, alternatively, more than YY years have elapsed since the start of the first sub-national activity, such country would have to adopt a national emission reduction goal. We consider such target as acceptable given that the implementation of sub-national activities and developing projects will create capacities in the countries. Developing countries could, at any time before reaching the limit proposed above, decide voluntarily to adopt a national emission reduction target. In addition, the approach should provide incentives for the participation in national level initiatives. One incentive could be that the national level accounting might use Tier-1 methods while project level accounting only Tier-2 or higher. Another incentive is that national level initiatives would not have to assess leakage, while project level accounting will have to assess, verify, and subtract leakage.

6.1 National Approach

Non-Annex I countries are encouraged to negotiate national target GHG emission levels from deforestation and forest degradation. This level may be above or below the empiric deforestation level of the base-year or base reference period and be re-viewed periodically (i.e., for each crediting period) to account for structural and other relevant changes. As exact deforestation levels and future land use trends are uncertain, developing countries should be given sufficient time (and assistance) to assess these issues. Moreover, in order to be realistic and achievable, the emission reduction target to be pursued by each country should be established taking into account institutional barriers,

agents and drivers of land-use change, growth projections, contrasting interests of different economic agents, and the multiple views on national sustainable development and other relevant elements as indicated by national circumstances. The success of reducing emissions from deforestation depends on developing countries being able to conclude this process with sufficient technical and financial assistance. This takes time. We therefore envision a roadmap with clearly defined milestones to reach the goal of establishing a national target level of GHG emissions from deforestation.

REDD credits shall be issued for any emission reduction below the agreed national target emission level. Such credits would be *permanent* and *fungible* with any other emission allowances and credits. XX% of the REDD credits issued from a country would not be traded to Annex I countries and will be held in a *mandatory reserve account* of the host country to guarantee compliance with the agreed target in future verification periods. Credits in this reserve account would represent net contributions to global emission reductions, as they would not be available to offset emissions in Annex I countries. Issuance of REDD credits would be overseen by a UNFCCC body according to the following principles:

- A target emission level would be defined for each crediting period, which may be equivalent to one or several Annex I commitment periods.
- If emissions from deforestation were above the target emission level in the initial verification periods, no credits would be issued and no emission debits accounted for.
- In case emissions from deforestation remained below the target emission level within a verification period, and REDD credits were issued for that period, the implementing country would have to compensate any potential future over-emission in subsequent verification periods. . Consequently, in case of future emissions above the target emission level, the implementing country might either:
 - i. Offset the excess emissions by canceling REDD credits from its reserve account, or by acquiring REDD credits from other implementing countries' reserve accounts; and/or
 - ii. Over-comply in the subsequent verification period by an amount of emission reductions equivalent to the excess deforestation emissions of the previous verification period; and/or
 - iii. Request an adjustment of its target emission level for the subsequent verification period, arguing justifiable reasons of *force majeure* (such as large-scale forest destruction due to extreme climatic events and their consequences, war, terrorism, etc.) or improvements in the availability of data and methods. Any adjustment of the target emission level would be subject to either review and approval by the Parties, or independent validation and certification following transparent procedures, agreed by the Parties.

6.2 Sub-National Mechanism

In order to avoid delaying the emission reductions required for climate change mitigation, it is necessary to allow and encourage project level activities and the participation of the private sector. *Project-level activities can start sooner and in all countries, independently from activities at the national level and international support.* Successful project-level activities will further encourage governments to take action and will bend the learning curve upwards, since the private sector does not only bring finance but also human resources. Some countries may be able to speed-up their national process and announce internationally on a voluntary national emission target already for the post-2012 period. Any country may authorize national and/or international private or public entities to develop and implement REDD activities at sub-national, local or project levels.

- Such REDD activities would have their own emission reference level and may be registered prior to (or after) reporting of the national target emission level.

- REDD activities would have to be authorized by host countries and implemented in accordance with their sustainable development policies.
- REDD credits from project activities shall be real, measurable and additional to any that would occur in their absence. They would be issued directly to the authorized project participants by the competent UNFCCC body, even in the case of excess deforestation emissions at the national level.
- Issuance of REDD credits for project activities would require that the activities be subject to validation, verification and certification procedures by an independent accredited body.
- Leakage-prone project types would be avoided by strict eligibility criteria. In addition, project leakages detected and independently verified would be:
 - i. Verified and subtracted in the calculation of emission reductions attributable to the REDD activity;
 - ii. Added to the national target emission level, once this level will have been negotiated and registered.
- To further enhance the contribution of developing countries to global emission reductions, credits issued to project activities would be either:
 - i. Temporary credits (similar to tCERs).
 - ii. Permanent credits with a mandatory reserve of credits to be transferred to the national reserve account).

Once a country has adopted a national target emission level only permanent credits would be issued.

In our view, the REDD crediting system described above is able to attract private capital into REDD activities, because successful project-based activities would be credited even in the case of excess deforestation emissions at the national level.

6.3 Supporting Instruments

We encourage the establishment of a multilateral fund which would finance activities aimed at creating enabling conditions, including institutional and technical capacities. The fund may include an enabling window and an activity window. The *enabling window* of the fund shall be disbursed on a grant basis. Part of its tasks shall be to develop reliable forest inventory data. An *activity window* of the fund may enable *early action activities* implemented prior to 2012 and any *posterior pilot activity* designed to test the effectiveness of capacities and measures to reduce emissions from deforestation.

To achieve the abovementioned goals a fund would require *identifying sources of sufficient, continued and predictable replenishment* from Annex I countries, especially if seen by the Parties as an alternative to market instruments. Therefore, in addition to voluntary contributions to kick-start capacity building and early action activities in developing countries, any new fund shall be fed by institutionalized mechanisms such as *inter alia*:

- an X% levy on Assigned Amounts first traded in the carbon market, similar to the one imposed on CERs, and/or
- fees on carbon intensive commodities and services in Annex I countries, and/or
- a levy on international transport emissions; and/or
- revenues from auctioning of credits in emission trading systems; and/or
- where emission trading systems have price caps, revenues from selling credits at the price-cap level.

7 Problems of Relying Only on National Level Accounting

Many UNFCCC negotiators appear to favor a REDD mechanism exclusively built on national scale accounting. Such a mechanism would go hand in hand with the establishment of a national emission reduction crediting system and require the definition of a national reference emission level and monitoring system. Credits would be issued only for emission reductions below the reference emission level. Such a system would *only be successful in those countries that are able to successfully implement effective policy, legal and institutional reforms nationwide, including appropriate social and economic safeguards, right away*. The time requirement, political cost, and failure risk of such reforms are likely to be high, as history shows, given the complexity of the deforestation problem and the cost and barriers of such a wide-scope activity. *Under a national emission reduction crediting system any failure to reduce emissions below the reference scenario would prevent a country from receiving the carbon revenues it needs to sustain and improve its efforts to reduce emissions in the long run, thus making subsequent actions more difficult to justify politically.*

A consequence of such a mechanism is that *countries with little capacity to implement forest protection measures right away, and thus most in need for international support, would not be able to participate in a system which rewards the nationwide reduction of deforestation emissions only*. It is further unlikely that private investors would be willing to share the risk of potential policy failure by directly supporting government programs. *It is improbable that the private sector would participate in a REDD mechanism which links investment risk to government and institutional performance*. In a system in which the allocation of funds and potential carbon credits takes place through host country governments, the political and legal risk of the mechanism will be considered too high as to attract private finance. Therefore, *it is important to assure that successful sub-national activities implemented by private and public entities will be credited regardless of possible under-compliance at the national-level or to establish a differentiated accounting system including two different courses of action, at the national and the sub-national project level*.

Finally, a policy framework allowing only national accounting will divert private capital to project activities outside the UNFCCC system, with the risk of double-counting of emission reductions under the two systems and possibly delaying the participation of key countries to the post 2012 regime.

PAPER NO. 8: PORTUGAL ON BEHALF OF THE EUROPEAN COMMUNITY
AND ITS MEMBER STATES

**This submission is supported by Croatia, Bosnia and Herzegovina, Turkey
Ukraine and Serbia**

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

1. Introduction

The SBSTA at its 26th session invited Parties to submit views on views on issues related to further steps under the Convention related to reducing emissions from deforestation in developing countries: approaches to stimulate action.

2. General Remarks

The EU notes that deforestation, particularly in tropical countries, contributes approximately 20% to global human-induced CO₂ emissions. Effective action to reduce deforestation in developing countries is needed to achieve the objective of Article 2 of the United Nations Framework Convention on Climate Change, and has the potential to provide multiple benefits towards sustainable development.

The EU reiterates that concrete policies and actions as part of a global and comprehensive post-2012 agreement are needed to halt emissions from deforestation in developing countries and reverse them in the next two or three decades, while ensuring the integrity of the climate regime and maximising co-benefits, in particular with regard to biodiversity protection and sustainable development.

An appropriate way forward will need to focus on the following critical aspects for policy approaches and positive incentives:

- rewarding real and long-term reductions in emissions at the national scale, while respecting the sovereignty of countries;
- the contribution made to long-term sustainable land and forest management and reducing pressures leading to unsustainable land use or land-use changes;
- recognition of existing commitments under UNFCCC;
- simplicity, flexibility and practicality;
- consistency with and/or evolution from existing monitoring methodologies and accounting rules;
- promoting synergies at national and local levels and here appropriate with international initiatives and processes;
- encouragement of early action.

To make progress Parties need to decide at COP 13 on:

1. a framework initiating pilot activities to gain experience and building upon on-going activities;
2. indicative modalities to promote consistency between pilot activities and to facilitate integration with a comprehensive post-2012 agreement;
3. further methodological work to develop the modalities for use after the pre-2013 period;
4. a framework for consideration of performance-based mechanisms to provide positive incentives to reduce emissions from deforestation after the pre-2013 period;
5. further steps.

The EU believes that any effective approach should provide substantial and sustainable incentives to stimulate long-term action to reduce emissions from deforestation in developing countries. The EU recognises that well designed market-based approaches can contribute to long term action. However, we believe that there is a need to further assess all financing options with respect to the scale and the sustainability of the financing they might provide, as well as their potential integration to the broader post-2012 climate change agreement.

The EU further notes that financing approaches need not be mutually exclusive.

In the EU's view the draft decision forwarded from SBSTA 26, notwithstanding the square brackets and options it still contains, provides a useful basis for a decision covering elements 1 to 4. The next section describes these elements in more detail

3. Elements for inclusion in the decision at COP 13

3.1. Pilot activities

Practical experiences are needed to explore how efforts under the UNFCCC process could contribute to reducing emissions from deforestation and gain experiences of the indicative modalities. To this end, pilot activities should be initiated to explore approaches combining national action and international support. Experiences of countries in developing policies to reduce deforestation should be taken into account in the design of such pilot activities.

Pilot activities could cover:

- activities to improve the monitoring and reporting capacity required for RED (reducing emissions from deforestation) schemes;
- definition of national baselines or emissions reference levels;
- assessment of implementation of policies to combat deforestation;
- positive incentives to encourage countries to take or intensify actions to reduce emissions from deforestation during the pre-2012 period relative to a national emissions reference level.

The EU recognises that several Parties, international organisations and stakeholders have already started or are planning to cooperate on some of these issues and believes that sharing experiences in this regard would speed up the designing of the future scheme. Parties, international organisations and stakeholders should be invited to report on progress with their efforts at each SBSTA starting with the twenty-eighth session, at least until the methodological work described in section 3.3 below is complete. The EU believes that this requirement could be covered by elaborating the material contained in paragraph 7 of the draft decision forwarded by SBSTA 26.

3.2. Indicative Modalities

Indicative modalities are needed to promote consistency between pilot activities, to provide guidance for further methodological work and to facilitate integration with a comprehensive post-2012 agreement.

We believe the following indicative modalities should be included in the COP 13 decision:

- i) emissions should be estimated using the most recently agreed reporting guidelines. The EU notes that this modality is already covered by the text agreed in paragraph 5 of the draft decision forwarded by SBSTA 26;
- ii) emission reductions from deforestation should be real, demonstrable, transparent and verifiable and the assessment should be results based;
- iii) a national approach should entail assessment of emission reductions on a conservative basis relative to a national emissions reference level;
- iv) a national emissions reference level should be based on historical emissions from deforestation and should take into account national circumstances;
- v) emission reductions relative to a national emissions reference level may encompass project approaches.

Pilot schemes implemented using these indicative modalities should, in the EU's view, explore how policies can result in real and long term reduction of emissions from deforestation at the national level. This could include how conservative estimates can be obtained, e.g. by choice of pools monitored, how forest degradation can be monitored, and whether incentives for forest conservation can be linked to incentives to reduce emissions from deforestation in a logical manner.

There should be independent peer review of the application of these indicative modalities.

Where not already covered by agreed text, these indicative modalities should, in the EU's view, be included by elaborating paragraph 6, option 1 of the draft decision contained forwarded by SBSTA 26.

3.3. Further methodological work

Agreement on the indicative modalities would in the EU's view facilitate consistent implementation of pilot activities. The development of a performance based scheme to reduce emissions from deforestation in a global and comprehensive post-2012 agreement will, in the EU's view, require fully elaborated rather than indicative modalities. This should be carried out during the period leading to SBSTA 30. This work should cover the full elaboration of the modalities indicated in i) to v), plus questions relating to conservativeness, the reporting and review process, forest degradation and possible incentives for forest conservation, as well as assessment of how modalities and incentives can enhance co-benefits e.g. sustainable land use

and protection of biological biodiversity. When complete, the methodological work should produce modalities, which would facilitate efficient channelling of carbon based payments to effective actions to reduce emissions from deforestation.

The EU anticipates that the modalities would address:

- coverage, including reduction of deforestation emissions and agreed activities that may be linked logically to it;
- forest definition and coverage of pools and gases;
- establishment of national emissions reference levels and agreed emission reduction levels;
- measurement and reporting issues;
- accounting issues;
- review process.

The EU believes the work by SBSTA would be facilitated by submissions from Parties and accredited observers by March 2008, followed by a workshop in autumn 2008. The work should focus on the methodologies for establishing national emissions reference levels.

3.4. Framework for consideration of future positive incentives

Approaches that base incentives on quantified achievement in reducing emissions from deforestation need an agreed emission reduction level developed on the basis of national emissions reference levels. Positive incentives would be linked to performance which is better than an agreed emission reduction level. The EU believes that agreed levels should be ambitious, yet realistically achievable, taking into account national circumstances, historical data, current trends and developments in land use. The agreed level would be negotiated and revised periodically.

Under a performance-based approach, the EU is of the view that in the context of the negotiations on a post-2012 agreement possibilities should be explored to take into account emissions reductions from deforestation in developing countries achieved during the period 2008-2012 in the period after 2012. This should be done in the framework of an overall post-2012 agreement and the fully elaborated modalities mentioned above.

3.5 Further steps

COP 13 should request the SBSTA to report back on these issues to COP 15 with any recommendations for the establishment of agreed emission reduction levels and modalities, and how to take into account emissions reductions achieved during the period 2008-2012 in the period after 2012 within the context of any other relevant work under the Convention.

PAPER NO. 9: TUVALU

Reducing Emissions from Deforestation in Developing Countries: Approaches to Stimulate Action

The Government of Tuvalu welcomes the opportunity to present its views on issues relating to further steps under the Convention relating to reducing emissions from deforestation in developing countries: approaches to stimulate action, as requested in paragraph 4 of FCCC/SBSTA/2007/L.10.

It is important to note that the mandate for the consideration of this item comes from SBSTA and therefore Parties are bound to give consideration to this issue within the context of the mandate of SBSTA. This includes matters relating to, *inter alia*, assessments of the state of scientific knowledge; scientific assessments; promoting development and/ or transfer of technologies; international cooperation in research and development related to climate change; respond to scientific, technological and methodological questions put to it by the COP.

In the context of this mandate, it is useful to consider Article 1(c) of the Convention which states:

“Promote and cooperate in the development, application and diffusion including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol in all relevant sectors, including the energy, transport, agriculture, forestry and waste management sectors;”

It is from this scientific and technological mandate that approaches to stimulate action to reduce emissions from deforestation in developing countries will be considered. This submission does not consider economic incentives or approaches as these are issues not within the mandate of SBSTA to consider.¹

In the context of considering approaches to stimulate action it is useful to consider the underlying causes of deforestation. Without understanding causality, it is difficult to prescribe effective approaches to stimulate action that will have long term benefits in the context of reducing emissions.

Giest and Lambin² give some indication of regional patterns of causal factors synergies, of which the most prominent are: economic factors, institutions, national policies, and remote influences (at the underlying level) driving agricultural expansion, wood extraction, and infrastructure extension (at the proximate level). They go on to further suggest that too much emphasis has been given to population growth and shifting cultivation as primary causes of deforestation.³ They particularly note that among the detailed categories of proximate causes for all regions, the extension of overland transport infrastructure, followed by commercial wood extraction, permanent cultivation, and cattle ranching, are the leading proximate causes of deforestation.⁴ Geist and Lambin identify five key underlying driving forces:

- i. **Economic factors:** These include the commercialization and the growth of mainly timber markets play.⁵

¹ Financial options for reducing emissions from deforestation are considered in Tuvalu’s presentation at the Cairns workshop. See “Ian Fry, A potential policy approach for reducing emissions from deforestation” URL: http://unfccc.int/files/methods_and_science/lulucf/application/pdf/070307fry.pdf

² Helmut J. Geist and Eric F. Lambin, Proximate causes and underlying driving forces of tropical deforestation, *BioScience*, V52, N2, February 2002.

³ See Giest and Lambin, p 143

⁴ See Geist and Lambin, p 146.

⁵ Geist and Lambin note a number of economic variables such as low domestic costs (for land, labor, fuel, or timber) product price increases (mostly for cash crops) and the ecological footprint or remote urban-industrial centers underpin about one-third of the cases. They further note that the requirement to generate foreign exchange earnings at a national level intervenes in a quarter of cases. They further note that poverty driven deforestation refers to the ecological marginalization of farmers who have lost their resource entitlements, and capital-driven deforestation to public or private investments to develop the frontier for political, economic or social reasons, underlie 42% of cases.

- ii. **Institutional factors:** These include pro-deforestation measures such as policies on land use and economic development as related to colonization, transportation, or subsidies for land-based activities.⁶
- iii. **Technological factors:** These include agricultural expansion and poor technological applications in the wood sector (leading to wasteful logging practices).
- iv. **Cultural or socio-political factors:** These mainly relate to economic and policy forces in the form of attitudes of public unconcern towards forest environments. These factors shape the rent-seeking behaviour of individual agents causing deforestation.
- v. **Demographic factors:** These relate mainly to in-migration of colonizing settlers into sparsely populated forest areas show a notable influence on deforestation, though there are regional differences.⁷

Developing approaches to stimulate action to address the underlying of deforestation present significant challenges, particular within the context of SBSTA's mandate.

Possible Approaches by SBSTA relating to Economic Factors:

With respect to **economic factors** particularly in relation to the growth in timber markets its worthy to note FAO roundwood export statistics from some key tropical timber countries (see appendix A). From this data a number of conclusions can be made:

- a) Efforts to reduce emissions from deforestation at the sub-national (project level) or national level may be counteracted by the displacement of emissions elsewhere, due to the large demand for tropical timber products.
- b) Suggestions that countries which have achieved sustainable forest management within their own boundaries should be eligible for consideration by any future carbon crediting regime may not account for the large volume of timber imports from other tropical timber developing countries. Again emissions displacement is a significant factor.
- c) In order to avoid problems of emissions displacement, it may be preferable to develop a set of actions at the demand side of the supply chain. Therefore timber importing countries, both Annex I and Non Annex I will have a significant role to play.

Noting the three factors listed above, SBSTA may wish to invite the IPCC to explore collaborative actions with the International Tropical Timbers Association, the Convention on Biological Diversity and other relevant organisations including the Forest Stewardship Council, to develop a forest certification or rating system that accounts for emissions from deforestation. Deforestation activities with high emissions, such as on peatlands or which result in subsequent forest fires, could be given high greenhouse gas emissions ratings.

Such an approach would need to take into consideration any flow-on effect resulting from product substitution (wood products replaced by higher greenhouse gas emitting products e.g. steel, plastics, cement).

⁶ Geist and Lambin suggest that land tenure arrangements and policy failures such as corruption or mismanagement in the forestry sector are also important drivers of deforestation. (page 146).

⁷ Geist and Lambin, p 147.

Possible Approaches by SBSTA relating to Institutional Factors:

Many of the institutional factors, suggested by Geist and Lambin, fall within the responsibility of national governments. In this context, SBSTA may have a limited role to play. However it may be possible for SBSTA to encourage and develop collaborative efforts to develop remote sensing methods and tools to assist developing countries monitor land use changes, the growth in roads etc. Possible approaches could include those proposed by the Australian government under their initiative entitled “Global Initiative on Forests and Climate”.⁸

One emerging institutional factor relates to the development of biofuels. In some countries subsidies are being offered to encourage the replacement of rainforests with biofuel crops (e.g. oil palm). SBSTA may wish to call for a workshop to explore the greenhouse gas implications (both positive and negative) associated with the development of biofuels.

Possible Approaches by SBSTA relating to Technological Factors:

Similar to the Institutional Approach, SBSTA may be able to encourage and develop collaborative efforts to develop remote sensing methods and tools to assist developing countries plan more effectively agricultural practices. Such approaches could be carried out in collaboration with the UN FAO.

Possible Approaches by SBSTA relating to Cultural or Socio-political factors

Addressing attitudes of the public in the context of reducing emissions from deforestation could be directed through work under Article 6 of the Convention. While activities under Art 6 are generally covered under the SBI, it is possible that SBSTA could assist in this process by promoting and developing scientific knowledge on the value of tropical rainforests. This work could then fit into a special programme under the SBI aimed at developing public awareness of the need to reduce emissions from deforestation.

As a link to the public awareness programme SBSTA could also develop a collaborative strategy with the work of the Convention on Biological Diversity with respect to Article 8j of the CBD as a means of helping recognise the rights and traditions of local and indigenous communities that use or inhabit tropical rainforests.

Possible Approaches by SBSTA relating to Demographic Factors

The movement of colonizing settlers is due to many complex factors. These factors vary across and within regions. SBSTA could establish a research programme in collaboration with institutions such as CIFOR to assist countries develop a better understanding of the causes of settlement activities. Following from this research, SBSTA, in collaboration with SBI and other institutions like CIFOR, could tailor legislative approaches to regulate activities in tropical forested countries to minimise inappropriate or unsustainable settlement activities.

All the approaches listed above require a strategic framework for action by SBSTA. Therefore it would be appropriate for SBSTA to develop a special work programme on reducing emissions from deforestation. Considering the urgent need to address this issue, it is hoped that SBSTA could agree on such a work programme at its next session.

⁸ See URL: <http://www.greenhouse.gov.au/international/forests/index.html>.

Tropical Roundwood exports

Brazil | Exports Quantity and Value (1000 US\$) | 2004 |
quantity value

commodity

	Ind Rwd Wir (NC) Tropica⁹	
	x1000 tonnes	x1000 US\$
Canada	36.00	19.00
Colombia	885.00	58.00
Czech Republic	25.00	7.00
France	224.00	169.00
Germany	86.00	97.00
India	1,149.00	210.00
Ireland	126.00	93.00
Italy	15.00	1.00
Mauritius	16.00	14.00
Netherlands	3,390.00	303.00
New Zealand	1.00	5.00
Spain	96.00	69.00
United Kingdom	299.00	265.00
United States of America	258.00	19.00

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Colombia | Exports Quantity and Value (1000 US\$) | 2004 |
quantity value

commodity

	Ind Rwd Wir (NC) Tropica	
	India	17,254.0 0
Netherlands Antilles	20.00	7.00
Pakistan	5.00	1.00
Singapore	5,294.00	832.00
Spain	9.00	5.00

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⁹ 1657 IND RWD-WIR(NC)TROP

Industrial roundwood-Wood in the rough (Non-Coniferous-Tropical)

This commodity aggregate includes all industrial wood in the rough of non-coniferous species of tropical origin.

Congo, Dem Republic of | Exports Quantity and Value (1000 US\$) | 2004 |
quantity value

commodity

	Ind Rwd Wir (NC) Tropica	
Belgium	6,162.00	3,546.00
China	167.00	151.00
Czech Republic	84.00	73.00
Germany	2,537.00	1,428.00
Italy	5,887.00	3,519.00
Poland	60.00	34.00
Portugal	34,072.00	15,614.00
Spain	1,343.00	801.00
Switzerland	106.00	82.00
United States of America	17.00	28.00

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Gabon | Exports Quantity and Value (1000 US\$) | 2004 |
quantity value

commodity

	Ind Rwd Wir (NC) Tropica	
Algeria	4,362.00	832.00
Belgium	4,149.00	817.00
Benin	14,222.00	1,382.00
Cambodia	1,089.00	240.00
China	1,317,402.00	284,229.00
Czech Republic	161.00	101.00
Denmark	53.00	104.00
France	0.00	0.00
Germany	0.00	0.00
Greece	15,623.00	4,152.00
India	171,763.00	28,569.00
Italy	21,653.00	7,116.00
Japan	37,802.00	7,240.00
Korea, Dem People's Rep	70.00	16.00
Korea, Republic of	117.00	74.00
Malaysia	247.00	63.00
Mali	1.00	1.00
Morocco	79,103.00	12,871.00
Netherlands	4,589.00	810.00
New Zealand	245.00	32.00

Poland	1,411.00	685.00
Portugal	17,551.00	8,521.00
Senegal	51.00	10.00
Singapore	813.00	226.00
South Africa	1,044.00	275.00
Spain	13,484.00	3,120.00
Switzerland	13,487.00	2,838.00
Thailand	9,667.00	2,351.00
Togo	114.00	38.00
Tunisia	3,619.00	736.00
Turkey	10,661.00	1,704.00
United Arab Emirates	1,026.00	176.00
United Kingdom	969.00	490.00

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Indonesia | Exports Quantity and Value (1000 US\$) | 2004 |
 quantity value

commodity

	Ind Rwd Wir (NC) Tropica	
Australia	200.00	138.00
Austria	42.00	97.00
Belgium	193.00	177.00
China	764,889.00	185,887.00
Costa Rica	1.00	1.00
Denmark	1.00	5.00
Estonia	46.00	74.00
France	81.00	95.00
French Polynesia	1.00	4.00
Germany	22.00	27.00
Ireland	164.00	148.00
Korea, Republic of	18.00	12.00
Netherlands	21.00	25.00
Poland	21.00	23.00
South Africa	17.00	11.00
United Kingdom	77.00	108.00
United States of America	40.00	45.00

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Malaysia | Exports Quantity and Value (1000 US\$) | 2004 |
quantity value

commodity

	Ind Rwd Wir (NC) Tropica	
Australia	98.00	65.00
Austria	73.00	179.00
Belgium	140.00	156.00
China	2,532,464.00	282,908.00
Denmark	224.00	208.00
Estonia	46.00	54.00
France	161.00	157.00
Germany	8,678.00	3,306.00
India	807,899.00	134,453.00
Indonesia	110,520.00	15,201.00
Italy	4,241.00	586.00
Japan	1,260,736.00	184,144.00
Korea, Republic of	152,812.00	10,088.00
Mauritius	961.00	600.00
Netherlands	82.00	166.00
Norway	37,200.00	7,700.00
Philippines	43,387.00	5,622.00
Poland	24.00	32.00
Romania	45.00	60.00
Singapore	1,244.00	622.00
South Africa	3,196.00	505.00
Sweden	145.00	335.00
Thailand	58,687.00	8,211.00
United Kingdom	13,595.00	2,053.00
United States of America	27.00	30.00
Viet Nam	41,448.00	6,156.00

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Papua New Guinea | Exports Quantity and Value (1000 US\$) | 2004 |
quantity value

commodity

	Ind Rwd Wir (NC) Tropica	
Australia	27.00	10.00
China	1,334,597.00	119,280.00
India	105,291.00	43,929.00
Japan	81,789.00	13,789.00
Korea, Republic of	164,585.00	58,254.00

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PAPER NO. 10: UNITED STATES OF AMERICA

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

The United States appreciates the invitation to submit views on approaches to stimulate action to reduce emissions from deforestation in developing countries. The U.S. supports efforts to address emissions from deforestation and forest degradation in developing countries. Deforestation and forest degradation and their associated emissions undermine efforts to conserve and sustainably manage forests, deter sustainable development, represent significant lost revenues and reduce resilience to climate change.

The United States is of the view that efforts to mitigate deforestation should occur in the broader context of sustainable forest management and sustainable development. We believe it is important that UNFCCC discussions encourage and emphasize an integrated approach to achieving climate and sustainable forest objectives. To this end, we note the utility of employing a range of approaches that will encourage and enhance sustainable forest management, including national policies, best practices, and international cooperation.

We consider that the UNFCCC should recognize and encourage all such efforts that have a significant impact in reducing deforestation rates. We note that countries from all regions are engaged in efforts to promote effective forest management. In line with the recent UNFF 'Non-Legally Binding Instrument on All Types of Forests', we believe that Parties are responsible for the sustainable management of their own forests and for the enforcement of their forest-related laws. We also note that discussions under SBSTA have highlighted that both Annex 1 and non-Annex 1 countries have expressed willingness and capability to share knowledge, techniques and technologies with other forested countries.

The United States has supported increasing the priority of conserving forests and reducing emissions from deforestation in relevant existing bodies. We are pleased that the Global Environment Facility is now establishing a land-use, land use change and forestry (LULUCF) program. This program will allow countries to fund LULUCF projects that reduce emissions through their national climate change allocations. In addition, the United States has encouraged the World Bank to develop and implement programs that will stimulate significant actions in developing countries to reduce emissions. The United States believes that experiences and lessons learned by countries and relevant international organizations can be used to inform technical work programs endorsed by SBSTA.

U.S. Government agencies also engage in bilateral efforts to promote sustainable forest management in over 50 countries, and commit from \$80 to \$100 million each year to help developing countries reduce and avoid deforestation. These bilateral efforts integrate a range of conservation and sustainable development objectives, and are a key means by which we are helping partner countries promote more effective action. In moving forward on this issue, the United States will continue to incorporate the measurement and monitoring of reduced emissions from deforestation associated with these ongoing activities. This will contribute to our priorities for the future direction of this issue within the UNFCCC.

Views on the Draft Decision

We consider that in addition to useful discussions, considerable progress was made in developing a Draft Decision [-/CP.13] for the Thirteenth Conference of the Parties and at SBSTA 26. We offer the following views on further development of the text.

The Preamble to the draft decision should be kept short, simple and declarative. The Preamble should state the importance of the contribution of emissions from deforestation in developing countries. It should also recognize that addressing deforestation is only a partial response in addressing land use and

climate change in developing countries. While deforestation is a major source of emissions, emissions also occur from land degradation and opportunities to increase carbon storage on managed lands are consistent with broader sustainable forest management objectives.

The operative text of the decision should encourage actions to support capacity building and technical assistance, especially in the areas of data collection and emission estimation. Parties should be encouraged to identify and explore opportunities to enhance sustainable management of existing forests and avoid deforestation, including through implementation of pilots and initiatives. The COP decision text should avoid being overly prescriptive in the types of pilot and trial activities that could be pursued by countries. Decision text should include both the project- and national-based options that have been put forward for consideration. Countries will be better equipped to develop relevant land-use policies after gaining practical experience. We consider it important that methodological issues should be further explored and understood prior to taking decisions with respect to future policy approaches. We believe that adoption or exclusion of specific approaches is premature at this time and could limit the work of the SBSTA in examining effective solutions.

There have been discussions at SBSTA meetings on the merits of considering national and project-based level activities. Our view is that both issues have strengths and weaknesses and need further exploration. Project-based approaches are useful for targeting specific concerns and ensuring that there is a causal link between an action and a response. However, due to their limited scope, there is a potential that mitigation actions in one area can cause emission increases in another area. National approaches are broader in scope and can capture shifts of emissions within a country's borders. National policies are inherently more diffuse – there are many factors that influence carbon stocks at a national level - and it is more difficult to measure the impacts of policy changes in national emission trends. We believe that SBSTA needs to consider further the strengths and weaknesses associated with each approach.

Regarding methodological work of the SBSTA, the priority should be on improving methods to assess the effectiveness of action in a comprehensive manner. Metrics of effectiveness should include changes in greenhouse gas emissions; changes in economic conditions; and changes in other environmental and societal conditions. Given the range of actions already underway and potential actions that could be initiated under a pilot period, the guidance to SBSTA on methodological work should not be overly prescriptive. A decision text could include:

1. Parties should agree that further work on developing and/or applying methodological work is the critical first-step in order to arrive at a set of accepted methodologies for measuring and monitoring emissions from deforestation at both the national and project level. The United States believes that Parties should agree to establish a formal, technical work program to plan and implement work on these methodological issues. Both national and project based approaches for this work program should be consistent with the IPCC Good Practice Guidance for LULUCF, recognize other methodological work in peer-reviewed scientific publications and build off of other national, regional and international initiatives.
2. Parties should encourage pilot efforts between and among Parties (for both measurement and technical capacity building) with input provided by non-Annex I Parties on their key capacity-building needs in terms of data availability, measurement and monitoring capacity and technical assistance.
3. Non-Annex I Parties should be encouraged to put in place policies and measures to address, domestically, those factors and drivers (including public policies) that encourage the loss of forests and resultant emissions and discourage sustainable forest management.
4. In the short term, Parties should be encouraged to voluntarily explore national, bilateral, regional and multilateral avenues which would allow Parties to identify actions and solutions that are most effective for their national circumstances.

5. The United States would support a process by which countries and relevant international organizations could report back on pilot activities to the SBSTA.

To the extent that a number of options discussed in previous sessions have implications beyond SBSTA, the COP or COP/MOP should decide where this agenda item is placed in the future. As these discussions continue, approaches involving carbon crediting are best placed under Kyoto discussions; those involving implementation under the UNFCCC -either now or post-2012- will need to be carefully considered by the COP to determine their appropriate placement.

During the recent Framework Convention meetings in May, the United States welcomed the common priority of Parties in addressing this important source of greenhouse gases. We were encouraged that some non-Annex I countries expressed their willingness and capability to share knowledge, techniques and technologies with other forested countries. We look forward to further discussion in Bali as an opportunity to use these common interests to forge future relationships and partnerships.
