# Reducing Emissions
## from Deforestation
## in Developing Countries

**COP-11 Agenda Item #6**

**Informal dialogue on the role of
Land Use, Land-Use Change and Forestry
in Climate Change Response**

April 21, 2006

www.RainforestCoalition.org

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# Overview

- About
- Deforestation
- Future Questions: UNFCCC & the Kyoto Protocol
- COP-11 Agenda #6: Submission of Views
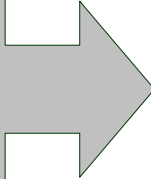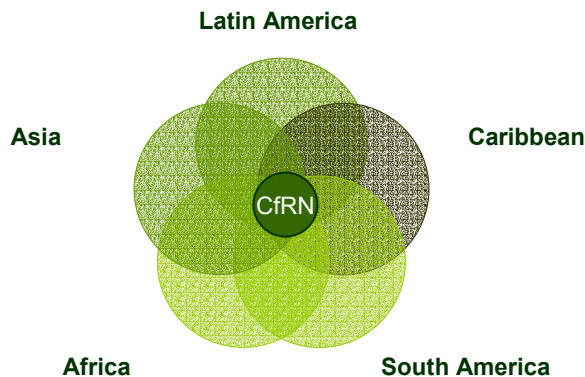- Next Steps

# Rainforest Coalition

- Bolivia
- Central African Rep.
- Chile
- Congo
- Costa Rica
- DR Congo
- Dominican Republic
- Fiji
- Gabon
- Guatemala
- Nicaragua
- Panama
- Papua New Guinea
- Solomon Islands
- Vanuatu

**MillenniumProject**

UN FCCC

ITTO

# Rainforest Coalition

Latin America

Asia

Caribbean

CfRN

Africa

South America

**Interregional Policy Development & Consensus**

# Rainforest Coalition

- **Who:** Developing Nation with rainforests – partnering with Industrialized Nations that support fair trade and improved market access for developing nations.

- **What:** Facilitate new and improved revenue streams in order to underpin community-driven environmentally sustainable economic growth.

- **How:** Reform international regulatory, trade and economic frameworks to effectively align market incentives with sustainable outcomes.

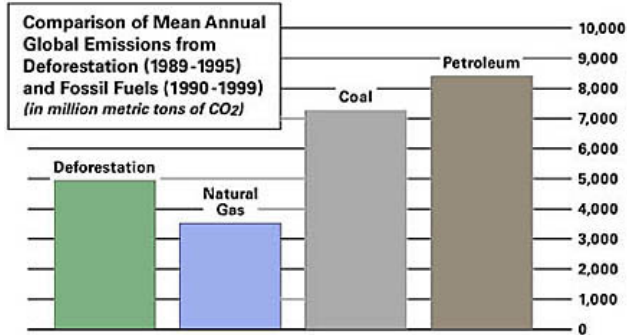**Environmentally Sustainable Economic Growth**



# Deforestation

- **Agriculture:** Soya, Coffee, Cocoa, Sugar → **Low Value**

- **Logging:** Export vs. Imports vs. Value Add → **$70/$700/$2300**

- **Development:** Roads, Hydro-Electric Power, etc.

- **Population:** Urbanization + growth drives above.

**Perverse Incentives!**

# Emission Sources

**Comparison of Mean Annual Global Emissions from Deforestation (1989-1995) and Fossil Fuels (1990-1999)** *(in million metric tons of CO2)*

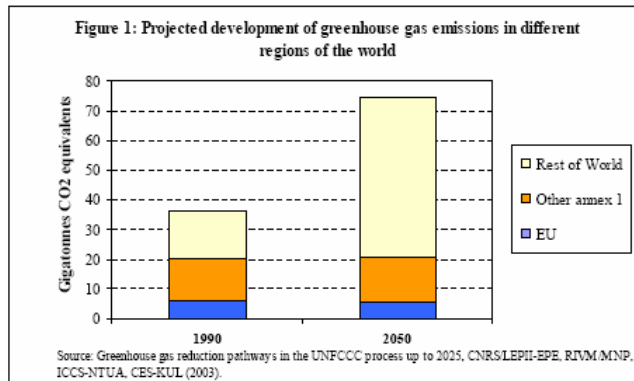Source: IPCC; US Department of Energy

# Limiting Climate Change

- **Temperature Change:** Limit global average temperatures from rising 2° C above pre-industrial levels.

- **This probably requires:**
  - Stabilizing $CO_2$ concentrations at or below 480 p.p.m.
  - Reducing industrialized country emissions 80% below 2000 levels by 2050.

**Developing Nations!**

# Developing Nations

Figure 1: Projected development of greenhouse gas emissions in different regions of the world

Source: Greenhouse gas reduction pathways in the UNFCCC process up to 2025, CNRS/LEPII-EPE, RIVM/MNP, ICCS-NTUA, CES-KUL (2003).

# Questions for the Future:
# Party Roles

## Common but Differentiated Responsibilities

- **Industrial vs. Developing:** Maintain philosophy of mandatory reductions leveraging voluntary instruments to integrate emissions reductions in developing nations.

- **Amongst Developing:** Immense difference between developing countries. Need flexible 'basket' of voluntary emissions reduction instruments – in present form, CDM alone is insufficient.

## Flexible Incentives!

# Lessons from CDM

- **Atmospherically Flawed:**
    - Cost-effective 'release valve' for Annex-1, but in isolation, project 'additionality' is almost meaningless if total emissions rise faster than project-based reductions.
    - Atmospherically, only becomes useful if national accounting is contemplated within some future commitment period.

- **Policy Implications:**
    - Transfer of technology and resources (finance).
    - Capacity development related to carbon accounting mechanisms.
    - Engenders buy-in.
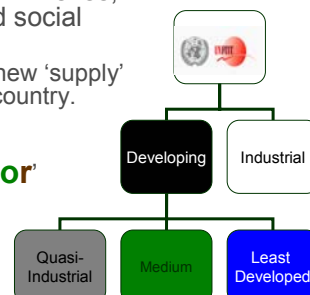    - But, project distribution questions.

### We must do better!

# Expansion of Annexes

- **Annex vs. Non-Annex:** Likely not sustainable if global climate stability targets are to be achieved – consider projected emissions growth in certain non-Annex countries.

- **Multi-Staged Expansion of Annexes:** Should we consider staged expansion of Annexes, considering economic, governmental and social conditions?
    - Balance mandatory 'reductions' against new 'supply' -- possible to integrate by sector and/or country.

### 'Black & White' → 'Full Color'

Developing | Industrial

Quasi-Industrial | Medium | Least Developed

# COP-11 Agenda #6:
## Summary

- **Deforestation:** Real Threat to Climate Stability

- **Emissions:** Resulting Emissions are Significant

- **Policy & Incentives:** Seek flexible basket of 'voluntary' instruments to accommodate national situations. Market forces drive most deforestation and Emissions Markets may hold key to solution.

- **Process:** Parties refer to SBSTA with goal to reach recommendations by 2007

# COP-11 Agenda #6:
## Policy Development

- Central American Commission on Environment & Development, Climate Change Committee

- Commission des Forêts d'Afrique Centrale (COMIFAC)

- Submission by Peru along with certain South American & Latin American Countries

- Indonesia, Pacific Islands Forum & Melanesian Spearhead Group

**Regionally Coordinated 'Submission of Views**

# COP-11 Agenda #6:
## Policy Approaches

- **Leverage Experience**
  - Local Community Participation & Buy-In
  - Sustainable Forest Management Incentives
  - Promote Agricultural Intensification
  - Strengthen National Institutions and Legal frameworks
  - Expand Payment for Environmental Services

- **Capacity Building**

- **Credit for Early Action**

- **National Level Pilots**

- **2007 Deadline**



# COP-11 Agenda #6:
## Positive Incentives

### Flexible Basket of Voluntary Incentives

- Official Development Assistance (ODA)

- Sectoral CDM with 'Target Corridor'

- National Cap. & Trade by Sector (Voluntary Annex C)

- Bilateral and/or Multilateral Trading Agreements

- Optional Protocol within UNFCCC

**Voluntary**
**Multi-Staged**
**Not Mutually Exclusive**
**National and/or Regional**

# COP-11 Agenda #6:
## Positive Incentives

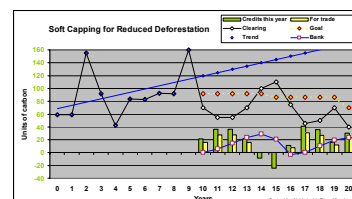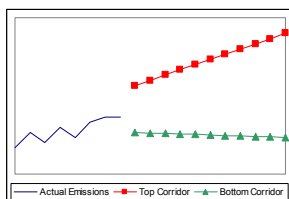### Official Development Aid Approach

- Supplimental Funds for Capacity Development

- Special Climate Change Fund & GEF

- Up-front funds - debt for nature, revolving funds...

- Public-Private Partnerships

- Tax on carbon-intensive commodities

- Prioritize Actions under Adaptation Fund

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# COP-11 Agenda #6:
## Positive Incentives

- **National or Regional "Sectoral CDM" Approach:** A national /regional (deforestation/emissions) baseline is established below which developing countries generate emissions reduction credits.
  - □ Countries participate in a credit-based trading system where ERCs produced ex-post.
  - □ "No Regrets" Targets Using "Target Corridor" for national baseline.

- **Voluntary National Cap-and-Trade Approach:** Developing countries could participate in a "Voluntary Annex C" for deforestation. Voluntarily adopt a national target for forestry sector.
  - □ Fully fungible with AAU/EUA emissions allowances (JI as precedent.)
  - □ Credit could for activities in advance of the 2nd Commitment Period.
  - □ Require 'banking' mechanism to address permanence.





Soft Capping for Reduced Deforestation

## COP-11 Agenda #6:
## Positive Incentives

- **Bilateral or Multilateral Agreements:**
  Emissions reduction efforts from deforestation in developing countries linked to regional and national emissions reduction markets -- US states, ETS, etc.

- **Optional Protocol:** Bilateral and/or multilateral agreements could be aggregated to a new "Optional Protocol" under the UNFCCC. Credits would be fungible.

**Not serious about deforestation, are we really serious about climate change!**



## COP-11 Agenda #6:
## Technical & Methods

- **Scale:** Meaningful actions to curb emissions will require efforts at scale. Need for flexibility of options for developing countries.

- **Baselines:** Reference scenarios must take into account historical trends and regional/national circumstances. Should not disadvantage countries having taken early action.

- **Leakage:** National approach key to addressing project based leakage. 'International leakage' must be applied fairly.

- **Permanence:** Many instruments possible: temporary credits, banking, commercial insurance.

- **Monitoring & Reporting:** Remote sensing an important tool. Must balance accuracy against cost.

- **Definitions:** Consider increasing participation by review of definitions to support broader range of activities – selective logging, degradation, etc.

# What Next?

- **CfRN Pre-SBSTA Meeting (May 14)**
  - ☐ Coordinate Positions and Strategy

- **SBSTA #24 (May 18 - 26)**
  - ☐ Recommendations for 'Further Process'
  - ☐ 'Terms of Reference' for Workshops

- **Workshop I (Aug. 30 – Sept. 1)**
  - ☐ Focus: Policy Approaches & Positive Incentives

- **COP-12 / COP-MOP-2**
  - ☐ Finalize 'Policy Approaches & Positive Incentives'
  - ☐ Progress Update to COP-12
  - ☐ Refer to SBI to consider implementation issues

- **Workshop II (est. Spring 2007)**
  - ☐ Focus:  Technical & Methodological Issues

- **SBSTA & SBI #26 (est. May 2007)**
  - ☐ Finalize integration of Policy, Incentives, Tech & Methods

- **Workshop III (est. Fall 2007)**
  - ☐ Draft Recommendations for COP-13 / COP-MOP-3

- **COP-13 / COP-MOP-3**