



Center for
Clean Air Policy

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Addressing REDD Roadblocks Through Domestic Actions and NAMA Frameworks

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Center for Clean Air Policy (CCAP)

Washington DC and Brussels-based environmental think tank

A leader on climate change, air quality policy since 1985

Promotes innovative, market-based solutions that balance environmental and economic interests

Holds the semi-annual *Future Actions Dialogue* – a shadow process for climate negotiators from 30 nations to help move post-2012 climate policy forward

Working with Mexico, China, India, Brazil, Indonesia, Cambodia on national climate strategies and REDD

Original consultant to EC for design of EU ETS



CCAP's Forestry and Climate Change Program

Working with researchers, government in Brazil to develop strategies to reduce deforestation (since 2005)

Launching new REDD policy analysis projects in 2009 in Cambodia, Indonesia, Mexico with support from Norway

Current work includes design of international REDD policy structures (financing, carbon accounting, etc.), and recommendations for improving REDD in US legislation

Presented proposals for addressing REDD+ actions, integrated global carbon accounting at COP 14 (see CCAP website)

Developed “Dual Markets” proposal for REDD financing

Brokered COP 6bis agreement on sinks



Key Goals of REDD

Preserve and/or enhance forests to:

- » Preserve carbon stocks in forest lands
- » Support local economies and indigenous peoples, preserve biodiversity, protect water resources, enhance climate resilience
- » Prevent changes to local and regional climate (rainfall, temperature, etc.)

Unlike previous efforts in developing countries (PES programs, SFM, etc.), design and implementation of REDD will need to account for both domestic and international requirements, and match the two

REDD Requires Cooperative Effort

Successful implementation of REDD and achievement of its full potential will require mutual commitments, to build confidence and determination for sustained action

- » REDD likely to be more challenging than industry actions

Annex I: Need to commit to significant, predictable and long-term financing of REDD

Developing countries: Need REDD strategies and plans that are transparent, practical and demonstrate capability to protect forests over time, in a cost-effective manner

NAMAs can provide a useful framework to achieve this

- » But REDD plan design will have similar elements in either case

I. REDD Process: National Plans

REDD (programs or NAMAs) would begin with development of detailed country REDD plans

Plans would propose specific REDD actions, estimate reductions to be achieved (overall and/or for each), detail capacity building, financing needed

Plan requirements would be structured to account for variations in existing capacity among countries

- » LDCs and countries with minimal initial capacity can propose development of REDD plan itself as a supported action or NAMA
- » Scope and level of detail required for such countries can be phased in over time to allow development of capacity

International-Domestic Coordination

Framework provides assurance to donor countries

- » Demonstrates that proposed REDD plan can in fact achieve forest protection
- » Estimation of reductions achieved from all actions and phases (capacity building, program implementation, crediting of reductions) provides predictability, confidence in cost-effectiveness
- » Effective although levels of assistance may not be fully based “one-to-one” on actual reductions in all cases

This requires that plans link external requirements, assistance to domestic use of funds

REDD Plan Elements

COP will need to decide which domestic elements must be included in REDD plans, and level of detail required

- » Explicit requirements to meet international standards for some
- » Maybe requirements for reporting w/o set standards for others

Regardless of final UNFCCC design, a more detailed REDD plan that goes beyond the requirements of the agreement (“race to the top”) is more likely to:

- » Achieve its forest and climate goals
- » Receive support and funding

The next slides present a blueprint for such a plan

Plans also provide basis for moving to “Phase 3” of REDD

- » Could be criteria for *ex post* MRV, market access

1: Matching Funding with Reductions Achieved

In many cases, developing countries undertaking REDD will utilize multiple programs (payments for environmental services [PES], Protected Areas, agriculture intensification, etc.)

While governments will be able to readily link funding for some domestic REDD actions to carbon preserved, for others (e.g., capacity building, opportunity cost-based PES) this will be more difficult

Domestic implementation plans will thus require systems to link emission reductions with funding

Example: Using PES for REDD

A key element of PES for REDD would involve the setting of the payment: the units paid for and the price(s) per unit

Payments could be fixed for all participants, income-based, per ton carbon, or per hectare (i.e. opportunity cost of land use) basis

- » Per ton carbon basis would better match international carbon payments under a UNFCCC REDD program
- » BUT per hectare payments provide more accurate incentives based on revenues forgone, avoid problem of under/over payment in low/high carbon areas

PES for REDD: Policy Options

Middle ground solution: Governments use PES on a per hectare basis, but target areas with high carbon content
Carbon conservation not paid for directly, but estimated to rank projects and match expected reductions, payments with international funding

- » Could set a minimum carbon content (per ha) for participation

Program design should also consider elements to be included in payment calculations (NTFPs, monitoring)

- » Deducting value of NTFPs, other benefits would be more complex, but could lower program costs
- » May be optional whether to include in plan, but could make funding more attractive to Annex I, private sector

2. Additionality

Demonstrating that forests would not be protected under BAU will be a crucial element of REDD plans

REDD plans should account for factors that might slow deforestation under BAU – governments can then make plans or NAMAs more attractive by prioritizing accordingly

- » Account for geography, soil, land-use costs, etc.

PES programs risk providing perverse incentives to increase deforestation, esp. when difference between opportunity cost and conservation is small (e.g., annual crops)

- » Should couple setting PES payments, eligibility with observed/projected trends in commodity prices

3. Baselines

Whether international assistance is provided based on linkage of reductions to up-front assistance (capacity building) or after the fact (*ex post* crediting), REDD plans will need to show an accurate baseline

Sub-national baselines/targets for projects and areas in domestic REDD programs will need to be reconciled with the national crediting baseline

The same baseline need not be used for all REDD projects

- » For example, countries could target high-value projects with large reduction potentials that exceed a project's share of the national target, allowing the use of less aggressive targets at other sites

Consider if local and national baselines vary over time

4. Permanence

REDD plans will need to detail measures for permanence

In short term, enforcement commitments and efforts may be adequate

Long-term preservation will be more difficult

Permanence: Policy Options

Countries can improve plans with positive actions to be undertaken to protect forests (by governments, individuals)

- » Participants in PES, other programs in fire-prone areas could be required to monitor, engage in fire prevention, report third-party illegal logging
- » Could require maintaining carbon through enrichment planting

Prioritize multiple benefits projects (e.g., water, NTFPs)

Require/incentivize communities to take on permanence commitments collectively (Grameen Bank model)

Couple PES payments with other long-term development programs (e.g., schools, roads)

5. Leakage

While national-level carbon accounting captures internal leakage, REDD plans will still need to minimize leakage

- » Particularly an issue re actions (capacity building) that receive up front support (for example, conditional NAMAs)
- » Also key if differentials in MRV capability exist across a country

Domestic options include:

- » Site selection
- » End-use measures to reduce local demand for wood, other
- » Expand REDD project boundaries
- » Leakage contracts for large participants
- » Company-wide REDD reporting and accounting

6. Land Tenure

Insecure land tenure is key driver of deforestation

Sound land tenure systems are also integral to:

- » Effective implementation of PES and other policies
- » Ensuring permanence
- » Protecting rights of indigenous peoples/local communities

REDD plans will thus need transparent land tenure laws, effective enforcement mechanisms

Should account for informal control of forest, illegal activities

Example: PES with eligibility based on effective control

- » Incorporate amnesty provisions for illegal activities, grant title upon contract completion (carrot and stick approach)

7. Other Issues

Elements of REDD mechanism also likely to include use of plantations vs. virgin forests, indigenous peoples, biodiversity

Replacing virgin forests with plantations decreases carbon storage, increases risk of fire, disease (permanence)

- » May require more detailed tracking, MRV in countries where plantations account for high percentage of reductions

REDD programs may also face challenges in indigenous areas, causing concern among REDD funders

- » REDD programs can benefit from involving indigenous representatives from the start (e.g., FUNAI in Mato Grosso, Brazil)

Part I: Conclusion

Success of REDD globally will require a great deal of domestic and international coordination

Development of robust REDD plans that address key elements in detail is crucial to achieve REDD

- » Ensures actions meet international REDD requirements
- » Can make proposed plans more attractive to donors by demonstrating a country's ability to achieve reductions, meet cost-effectiveness criteria, and go beyond the minimum international standards (“race to the top”)

Can also ensure that REDD program meets “Phase 3” criteria

The following slides detail how implementing REDD under a NAMA framework can be advantageous to facilitating this process

II. Consideration of REDD as NAMAs

The question of whether to include the REDD as part of the NAMA process remains a major area of debate in the negotiations

For some, it is unclear what NAMAs are, how they would work.

NAMA framework may harbor advantages in building robust REDD programs and brokering international finance

REDD in Post-2012

Overarching needs:

- a fast track financing
- as many “additional reductions” as possible
- 3 phases of REDD –transition to national programs
- “plus” aspect
- significant reductions and continual improvement in measuring/implementation
- stringent crediting baseline to avoid “hot air”

REDD discussions perceived to have “momentum” also areas unclear how to resolve

- REDD negotiations on policy and methodologies mix
- How to link “Plus” with REDD in single mechanism
- Finance: Fund vs. market vs. market-linked
- A/R and CDM discussions
- Permanence, leakage, and responsibility
- REDD negotiators have expressed need for policy guidance from larger LCA on such issues
 - Larger countries wait on REDD for final deal.
 - Some DCs: REDD is a mitigation option like other sectors.
- In other discussions, DC’s do not want to lose “low hanging fruit” through REDD mechanism

Can REDD NAMAs take momentum and make progress on roadblocks?

NAMA framework could help with:

- Operationalizing Norway's 3-Phase approach
- Facilitation of capacity and reductions in DCs
 - leverages existing finance with new finance
- Addressing competition between REDD and other sectors
- Involving HODs and high-level decision-makers in REDD
- Recognize DC action
- Make recommendations on crediting baseline criteria:
 - 1) compatible with larger sectoral discussions and the "deal;"
 - 2) provide guidance (facilitate negotiations) to SBSTA

3 Tiers of NAMAs could be used to support 3 Phases of REDD

NAMAs

- 1) Unilateral
- 2) Supported (Cooperative)
- 3) Credit-Generating

REDD

- Capacity-Building (fund-based)
- Implementation and proxy-based reductions (fund-based)
- Verified redux from baseline (Market-based)

Funding and actions documented in registry.
Bilateral, multilateral, or centralized funding all possible

3-Phase approach gaining momentum

- International negotiations and in national programs
- US Waxman-Markey Bill builds in 5% of allowances for initial REDD phases
 - Capacity building
 - Initial reductions
- Also includes crediting milestones. Offset provisions:
 - Leakage, permanence, accounting for reversals, biodiversity, local people etc.
 - “Sunsetting” of pilot phase, move to nat’l baseline– required after five years
 - **Show progress for continued funding**

NAMA Design Implications

REDD as NAMA		
	Concerns	Implications
Momentum	Will slow down the progress toward a REDD agreement	REDD as special "window" or place within funding and mitigation
International Assistance: Total	Insufficient funds will be allocated toward REDD	Dedicated amount of money and reductions goal
International Assistance: Structure and Types	Raises complexity of program design, also increase the risk of a mismatch between types of assistance (i.e. capacity building vs. technology).	Expert REDD panel within NAMA structure. Fast-Track REDD as example to other NAMAs



NAMA Design Implications

REDD as NAMA		
	Concerns	Implications
Methodology	REDD methodologies are distinct from industrial ones	Methods for REDD only, expert panel
Uniqueness	REDD includes unique elements that impact local communities, biodiversity, indigenous peoples etc.	Include and facilitate “plus” and “co-benefits”
Finance	Fund vs. market? Would NAMAs make investment in REDD less attractive for the private sector?	3 tiers of REDD NAMAs that combine with 3-phase approach: funds followed by market

1) Architecture: Separate REDD from other sectors

- *Dedicated financing as part of agreement, acknowledge importance to meeting global reduction goal*
 - REDD “window” or dedicated money
 - Overall reductions to come from REDD
 - Domestically, could set aside auction revenues
- *Expert panel for guidance*
 - *separate from larger NAMA administration*
 - not to compete with other sectors
 - *SBSTA and COP can still refine methods, MRV, etc*
- *Fast-track start to finance*
 - *Example to NAMAs in other sectors*

2) Facilitate Phase 1 and 2 (readiness and implementation) and reductions.

Readiness/Implementation

unilateral and conditional NAMAs
countries to identify unilateral actions
and needed support
example: World Bank

Initial reductions also financed

“additional reductions” beyond A1
targets
“contribution to atmosphere
Some countries prefer to stay in
Phase 2

Build off of bilateral programs or multilateral programs
(Australia, US, UNREDD, World Bank);

Could combine with “target/goal” for this sector:
(eg, halt gross deforestation by 2020)

3) D and “Plus” facilitated by NAMA

- All are recognized as legitimate NAMAs; registered
- High Deforestation countries obviously highlight avoided deforestation
- “Plus” countries propose NAMA for “enhancement of forest carbon stocks” or “conservation,” degradation, forest management, etc.
- *May actually be simpler to support various activities under registry system rather than one unified mechanism/incentive structure for all activities*

4) Within NAMA structure and 3-Phase approach, crediting baseline guidance could be established by high-level LCA

- **General Guidance** to go from “conditional” to “credit/market” NAMAS
 - Involves larger level discussions, HODs, etc. Secures REDD role.
- For example: National Baseline, Accounting for national leakage + reversals, land tenure, ability to monitor/verify, etc.
- Should be strict and credible.
 - Demonstrate what is needed for a verifiable carbon credit
 - support credible carbon markets
- Expert panel and SBSTA can continue to refine methods and rules (e.g. Marrakech)

5) Integration into Low-Carbon Strategies

Land use must be addressed in any low-carbon scenario

Fast-Tracked REDD NAMAs show progress in one sector as countries devise overall / industrial-sector low-carbon strategies

Assists other reductions in A1: avoids lock-in of old technologies in A1 due to expected REDD

Part II: Conclusions

- 3-Phase approach offers an effective path to achieve REDD
 - NAMA framework links well with 3-Phase approach
 - NAMAs includes crediting baseline
- NAMA framework deserves consideration as a way to move REDD forward
 - Resolve key finance issues; combination of funding options
 - Addresses some DC concerns like recognition, low-hanging fruit
 - Serve as example for other NAMAs
 - One unified system of DC action and A1 finance
- Within NAMAS, REDD will still need a special place to fast-track progress, dedicate financing, and pool expertise

THANK YOU

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