

Preparatory meeting for negotiators from Asia in the lead-up to UNFCCC COP13/CMP3
Bangkok, 15-17 October 2007

Session VI: Reducing Emissions from Deforestation

UNFCCC secretariat



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Outline

- Background
- The process
- Proposals by Parties
- SBSTA26: Elements of draft decision
- SBSTA27 and expected outcome at COP13 Bali



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Background

- Under UNFCCC, Article 4.1(d): All Parties shall ... promote sustainable management, promote and cooperate in conservation and enhancement ... of sinks and reservoirs of all GHGs ... including biomass, forests ...
- Annex I Parties report emissions from deforestation, under the UNFCCC and the Kyoto Protocol, in annual GHG inventories
- Issue of deforestation brought up during deliberations on eligible LULUCF activities under the CDM
- At Marrakesh, it was decided that projects under the CDM would be limited to afforestation and reforestation (16/CMP.1, 5/CMP.1)



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Concerns regarding RED

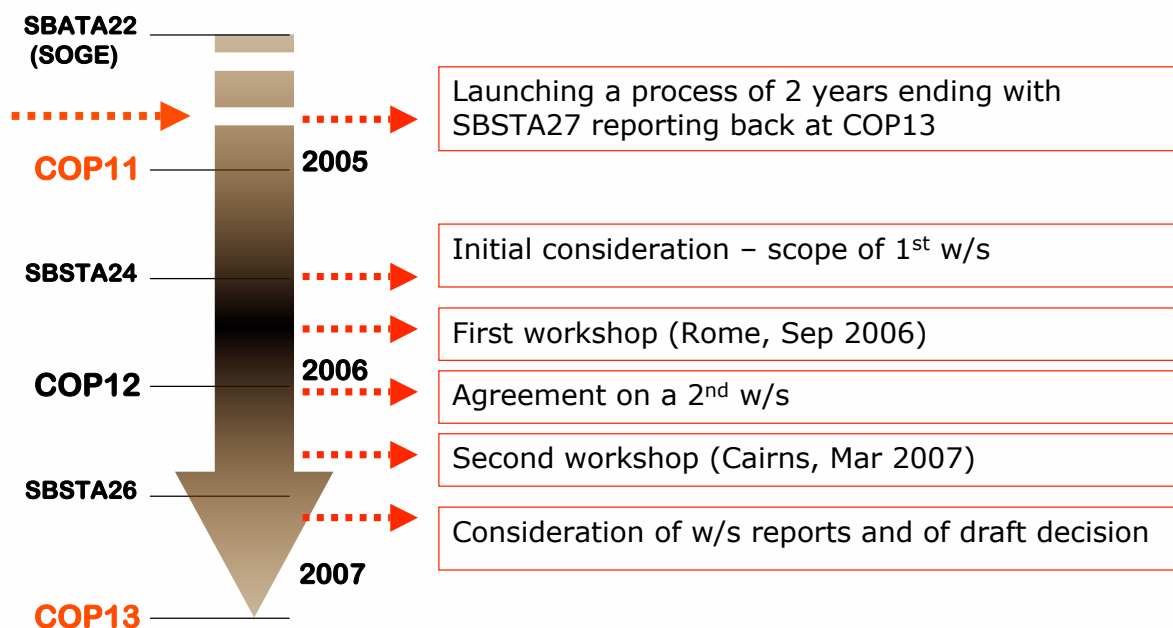
- Methodological concerns:
 - leakage and whether emissions beyond project and country boundaries could be controlled
 - non-permanence – emissions due to natural/ anthropogenic disturbances at a later date
 - baseline setting and additionality – uncertainties of estimates, how much has been avoided vs. business-as-usual
- Scale of possible emission reductions
- issuance of carbon credits flooding the market,
- Annex I Parties taking less effort to reduce emissions
- Other (illegal logging control, ownership of the land, etc.)

=> Exclusion of deforestation from CDM!



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The process thus far...



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Policy approaches and positive incentives

- RED should contribute to meeting UNFCCC ultimate objective, alleviation of poverty.
- Should not weaken efforts to reduce emissions from other sources/sectors
- Important to consider drivers of deforestation (e.g. socio-economic factors), most causes lay outside forest sector
- Some national, bilateral and multilateral efforts to reduce deforestation, but financial and institutional constraints exist
- Promotion of SFM important to ensure efforts to reduce deforestation successful on the long term



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Financial mechanisms and other alternatives

- Possible sources of funding: ODA, establishment of funds, multilateral sources, public-private partnerships, PES, market mechanisms
- Consideration of approaches to reward actions to RED needs to be broad and include several alternatives
- Need for additional and innovative financial mechanisms, as well as reinforce existing support
- Up-front financing needed for institutional and technical capacity building
- Implementation of actions on the ground require long-term, sustainable funding
- Important that rewards/ compensation reach “actors” on the ground. Institutions play major role



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Proposals by Parties - Summary

- A mechanism, under the Convention, to compensate voluntary actions to reduce deforestation in developing countries through **voluntary contributions by Annex II Parties**. Financial incentives - new and additional from those provided for other activities
- A REDD Mechanism to provide **positive incentives** to support voluntary policy approaches that result in gross reductions in GHG emissions from deforestation - incentives: either non-market (e.g. ODA) and/or market-based options



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Proposals by Parties - Summary

- A Forest Retention Incentive Scheme under the Convention.
 - 3 key elements: (i) Community Forest Retention Trust Accounts, (ii) Forest Retention Certificates, and (iii) International Forest Retention Fund
 - Funds from: **Special Climate Change Fund, ODA, government contributions, corporate donations, NGO contributions**
- Avoided Deforestation Carbon Fund (ACDF) provides resources for specific activities that directly reduce emissions from deforestation and activities that maintain forest cover/ avoid C stock losses - **Voluntary contributions. Possibility for inclusion in CDM**



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Proposals by Parties - Summary

- Stabilization Fund for developing countries that seek to maintain existing forest areas (low rates of deforestation) in national basis
- Compensated Conservation mechanism to compensate countries for conserving and increasing/ improving forest cover - New and additional financial resources under Convention
- REDD Enabling Fund – special purpose fund for preparing and supporting developing countries to participate in REDD Mechanism/ Stabilization Fund. - Capacity building and pilot activities



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Views on financing options

- Funding should be provided for demonstrable emission reductions from reduced deforestation
- Funding needs for capacity building and technology transfer, pilot activities
- In general, non-market financial resources accepted, but funding will generally be limited
- Market-based approaches facilitate private sector participation, more likely to be long-term and sustainable.
- Non-market based approaches do not devalue price of existing C credits
- New supply of credits must be met by new demand (created by deeper reduction commitment by Annex I Parties)
- Any funding mechanism should ensure permanence



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Outcome of SBSTA 26

- Parties considered the outcome of the two workshops (Rome and Cairns)
- Elaborated a draft decision text
- Key elements:
 - strengthened support for capacity building and pilot activities
 - mobilization of resources for implementation of these activities
 - calling upon relevant organizations to participate/ support these activities and share outcomes with process
 - basis for SBSTA to undertake further, more specific, technical and methodological work
 - a mandate for discussing a range of policy approaches and positive incentives in the context of any discussions on future international cooperation on climate change



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Areas of disagreement

- Whether the mandate by the COP is
 - (a) limited to a range of actions and efforts to “reduce emissions from deforestation”, or
 - (b) should be broaden to include actions that “stabilize and conserve” forest carbon stocks
- Who should mobilize “resources” to support capacity building efforts (Annex II Parties or an effort involving all Parties?)
- Specifics of further methodological work on range of actions relating to RED undertaken by SBSTA beyond Bali
 - Work to include issues associated with national and/or sub-national reference emissions levels;
 - Work on proposal of solutions on efforts to assess the effectiveness of action
- Selection of positive incentive scheme



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SBSTA 27 - Expected outcome

- Parties to continue work on basis of draft text
- SBSTA expected to complete work solving main areas of disagreement
- Mandate to discuss range of policy options and positive incentives in the context of any discussions on future international cooperation on climate change
- COP13 to adopt decision on RED, fulfilling mandate of COP11



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