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Reducing emissions from deforestation in developing countries: approaches to stimulate action

Views on outstanding methodological issues related to policy approaches and positive incentives to reduce emissions from deforestation and forest degradation in developing countries

Submissions from Parties

Addendum

1. In addition to the 14 submissions contained in document FCCC/SBSTA/2008/MISC.4, one further submission has been received.
2. In accordance with the procedure for miscellaneous documents, the submission is attached and reproduced* in the language in which it was received and without formal editing.

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**United Nations Framework Convention on Climate Change
SUBMISSION OF VIEWS**

13th Conference of the Parties, Decision 2
*Reducing Emissions from Deforestation in Developing Countries:
Approaches to Simulate Action*

SUBMITTED JOINTLY BY:

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|-------------------------------------|-------------------------|
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| <i>Bolivia</i> | <i>Guatemala</i> |
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| <i>Kenya</i> | <i>Thailand</i> |
| <i>Lesotho</i> | <i>Uganda</i> |
| <i>Madagascar</i> | <i>Vanuatu</i> |
| <i>Gabon</i> | |

1. Mandate

The 13th Conference of the Parties (COP-13) on the United Nations Framework Convention on Climate Change (UNFCCC), in its Decision 2/CP.13, invited Parties to submit to the Secretariat, by 21 March 2008, their views on outstanding methodological issues related to reducing emissions from deforestation and forest degradation in developing countries. Further, the Bali Decision also seeks further consideration regarding the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks in developing countries. Decision 2/CP.13 also requested the Secretariat to compile these views into a miscellaneous document for consideration at the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its Twenty-Eight Session.

2. Introduction

In reference to the outcome from COP-13, Decision 2/CP.13 and the Bali Action Plan Decision 1/CP.13, along with the ultimate objective of the Convention, a system of policy approaches and positive incentives to reduce emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks should complement national efforts to raise living standards within rural populations, consider indigenous communities rights and traditional knowledge and be designed to support significant social, environmental and economic objectives associated with development. Further, such a system should not lead to perverse incentives.

3. General Principles

a. Voluntary & Consistent with Sustainable Development Goals

Recalling the Preambles to the UNFCCC and other Rio Conventions, Parties maintain the sovereign right to natural resource utilization pursuant to their respective sustainable environmental and development policies in order to fulfill present needs without limiting the options of future generations. Therefore, not only will any Party's efforts to reduce emissions from deforestation and forest degradation remain voluntary, but such Parties alone will determine how best to implement specific measure toward these objectives.

b. Equitable and Fair

Mechanisms and instruments designed to reduce emissions from deforestation and forest degradation along with efforts to conserve or enhance forest carbon stocks must ensure equitable and fair distribution of responsibilities and benefits both within and amongst participating developing countries. On the basis of national circumstances, it is important to ensure that all Parties are assisted in overcoming any comparative or technical disadvantages impeding their participation.

c. Mobilize Resources at an Appropriate Scale

Reducing emissions from deforestation will not be easy nor will it come cheaply. Accordingly to recent analysis, the Parties must consider generating more than \$10-15 billion per year to stimulate a meaningful global reduction of emissions from deforestation and forest degradation 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 non-market options should be additionally considered to finance related activities.

d. Balance Supply & Demand

When considering cap-and-trade market instruments, leadership by all Annex-1 Parties in the form of significantly deeper targets that are truly additional must precede the introduction of a new supply of carbon offsets from reduced emissions for deforestation and forest degradation in developing countries. A new instrument for REDD cannot simply replace long term emissions reductions within Annex-1 Parties or compete with, and lower market prices for, actions taken by Non-Annex Parties under the Clean Development Mechanism.

e. Encourage 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 for developing country participation within all domestic, regional and international emissions markets.

4. Methodological Issues

a. Assessments of changes in forest cover and associated carbon stocks and greenhouse gas emissions

When assessing changes in forest cover and associated forest carbon stock, the methodological process regarded as the most appropriate to ensure transparency, completeness and consistency of estimates would combine the Intergovernmental Panel on Climate Change (IPCC) 2003 Land Use Land Use Change Forestry (LULUCF) Guidance, and/or the IPCC 2006 Guidelines, when relevant, together with a UNFCCC sectoral review.

1. *Further IPCC Work:* Recognizing that the scientific community is already improving the IPCC methodological approach, e.g. the GOF-C-GOLD¹ Source Book on REDD, we request that the IPCC evaluate further development of the above mentioned Guidance and Guidelines in order to reflect the technical requirements of the expected mechanism in order to guarantee their full applicability in the context of developing countries.
2. *Encourage Cooperation:* We recognize that operational programs to assess change in forest area are robust and ongoing, and encourage regional and interregional cooperation along with capacity building between national monitoring programs, noting the Brazilian 'PRODES' program as a model to move forward.
3. *Conservativeness Principle:* To address the uncertainties and the potential incompleteness of REDD estimates according to IPCC guidelines, and thus to increase their credibility, it is proposed that the conservativeness criteria be upgraded to a reporting principle and applied, which means that the potential problem of low accuracy of estimates is compensated for by lowering the probability of overestimating reduced emissions. Within the context of the IPCC GPGs, the application of the proposed conservativeness principle, on estimates based on quantified uncertainties, makes a lower tier comparable to a higher tier approach.

¹ Global Observation of Forest Cover – Global Observation of Land Dynamics www.gofc-gold.uni-jena.de/redd

b. Reference emissions levels

1. *Historical Data*: Reference emission levels should be based on historical data on GHG emissions and should take into account national circumstances.
2. *Term*: Reference emission levels should be assessed on a reference period of at least 5 years and should not extend beyond 2005, (considering this agenda item was first considered at COP-11, in Montreal) and when data availability allows, the reference period should be longer.
3. *Availability of Data*: Reference emission levels may start by estimating activity data utilizing the freely available Landsat satellite global data set for 1990, 2000, 2005, provided by NASA, and estimating carbon stocks changes using IPCC default value tables.
4. *Adjustment for Development*: Based on national circumstances, environmental, social, and economic factors can be taken into consideration by a country to determine an appropriate Development Adjustment Factor (DAF) when assessing reference emission levels.
5. *The Role of Conservation*: Further, Parties recognize that sustainable management and conservation are some of the UNFCCC's commitments (article 4.d):

“(d) Promote sustainable management, and promote and cooperate in the conservation and enhancement, as appropriate, of sinks and reservoirs of all greenhouse gases not controlled by the Montreal Protocol, including biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems;”

In this regard, countries support the further inclusion of the role of conservation as a part of the solution to address emissions from deforestation and degradation and to preserve current forest carbon stock over the long term.

Those countries that are already implementing forests conservation policies should be permitted to adjust their reference emission level, in order to generate additional positive incentives necessary to continue maintaining carbon stocks while overcoming the risks of alternative opportunity costs. Additionally, resources to support conservation activities could be generated through the auctioning of AAUs issued to Annex-B Parties.

c. Enhancing sinks due to sustainable management of the forest

Parties identify sustainable management of forests not only as a tool that is being used to reduce emissions from deforestation and forest degradation but also as a method to maintain or increase the amount of forest carbon stock. Parties suggest that a ‘forest related activities under the AFOLU sector’, such as that being applied by certain Annex 1 countries, could be extended to non-Annex I countries upon request and on a voluntary basis.

d. ***Estimation of reduction in emissions from forest degradation***

Recognizing that forest degradation is an integral part of emissions from forest areas in developing countries, Parties support further implementation of the degradation issue under the REDD mechanism. Parties also recognize, that in the context of assessment and reporting of emissions due to forest degradation, there is no need to develop forest degradation definitions because the IPCC methodological approach to report on carbon stock change in 'forest land remaining as forest land' would also be applicable to developing countries.

e. ***Reporting and Implementation***

A national accounting, reporting and assessment system should be established in order to ensure a measurable, reportable and verifiable mitigation action through REDD. However, in order to initiate implementation of such systems, strong support for capacity building, technology transfer and financial resources is needed. To facilitate prompt action, therefore, Parties with the capacity to do so, in particular Annex-1 Parties, should support developing countries' efforts toward the implementation of a national accounting, reporting and assessment systems as soon as possible.

The implementation of activities at the national or sub-national level will be determined by each country on a voluntary basis, as their sovereign right, taking into account their specific national circumstances and requirements. However, for those developing countries only able to start with sub-national activities, short-term funding could be mobilized under the Convention to facilitate any early steps toward a national accounting, reporting and assessment system.

Using existing precedent and to minimize implementation costs, a national inventory report, in this case related only to forest sector, could be submitted to the Secretariat and be reviewed by two members of the UNFCCC roster of experts.

f. ***Options for assessing effectiveness and criteria for actions***

We note that criteria for actions and options for assessing effectiveness will generally be specific to actions or demonstration activities undertaken within the context of national circumstances. However, there may be some overarching issues to be considered when designing a new mechanism or instrument to reduce emissions from deforestation and forest degradation.

1. ***Broad Participation:*** To encourage broad participation, it is important to develop instruments that accommodate the range of national circumstances within developing countries that contribute to reduce emissions from deforestation, forest degradation, conservation and/or sustainable management of forests.
2. ***International Leakage:*** The concept of international leakage is currently not effectively addressed within the Convention and the Kyoto Protocol. Therefore, it is not equitable to unilaterally apply this concept to developing countries or the forest sector specifically. However, it must be noted, that provided there is broad

participation by developing countries within the range of REDD instruments, the risk of international leakage reduces proportionally.

3. *Permanence*: In basic terms, provided participation continues uninterrupted through concurrent future international agreements on climate change, the permanence issue becomes irrelevant. However, we must acknowledge that this same risk applies to industrialized countries that may withdraw from future agreements or attempt to change reference years. Therefore, it may not be equitable to unilaterally apply this concept to developing countries or the forest sector specifically.
4. *Sustainable over Time*: When designing systems of positive incentives, it is important to consider that revenue streams must continue regularly over future decades to permanently overcome many of the existing drivers of deforestation. Specific approaches shall be based national circumstances. One approach would be to maintain the principal of any incentives in a trust arrangement, with the interest and a fractional portion of the principal paid out annually to overcome ongoing opportunity costs. This approach, however, may approximately double the upfront capital requirements of incentive systems
5. *Extreme Weather Events and Natural Disasters*: The UNFCCC contemplates actions related to anthropogenic emissions, and therefore, carbon emissions resulting from extreme weather events and natural disasters affecting forest areas must not be included within any REDD mechanisms.
6. *Performance Liability*: In order to enhance effectiveness and encourage private sector participation, it is important to design instruments that intentionally minimize transactional risk. Subject to national circumstances, the Parties could consider utilizing several concepts.
 - a. *Ex-Post Payments*: An ex-post payment system would eliminate delivery risk, as is done with many other commodities in developing countries, but then upfront costs must be carried by the seller and interim financing may be necessary in many cases.
 - b. *Trust Accounts*: Placing incentive payments into a trust could preserve the principal and thereby provide security for non-performance in the future. Conversely, a seller could refund a portion of the principal if a subsequent decision was made to pursue an alternative land use.
 - c. *Reserve Accounts*: On an annual basis, a proportion of the emission reductions earned could be kept in reserve. These reserve units could be sold during periods where emissions unexpectedly increased thereby providing continuity of funding to support ongoing emission reduction activities

- d. *Inter-Period Accounting:* For developing countries it is important that there is no obligation to acquire emissions reductions externally for any unanticipated emissions increases in the forestry sector at the end of any accounting period. Given the voluntary nature of REDD activities, we suggest that any emissions in excess of the reference emissions level could be:
- i. Deducted from any remaining Reserve Accounts
 - ii. Transferred to the subsequent period, or
 - iii. Conserved permanently in an independently managed forest area.

5. Implementation

a. Urgent Need for Prompt Action

Opportunities to reduce deforestation are often forever lost. Further, the IPCC's 4th Assessment Report estimates that around 5.8 GtCO₂ is released annually into the atmosphere from global deforestation². Therefore, without prompt action to reduce emissions from deforestation, almost 30 GtCO₂ may be released into the atmosphere between 2008 and 2012.

b. Credit for Early Action

Decision 2/CP.13 encouraged the Parties to explore a range of actions, identify options and undertake efforts, including demonstration activities, to address the drivers of deforestation relevant to their national circumstances, with a view to reducing emissions from deforestation and forest degradation and further notes that these activities should be considered within the context of the Bali Action Plan. Further, Decision 1/CP.13 decided to enable the full, effective and sustained implementation of the Convention through long-term cooperative action, now, up to and beyond 2012.

Within the context of these two Decisions, the Parties should support early action and immediate demonstration activities by developing countries to reduce emissions from deforestation and forest degradation by ensuring that emissions reductions obtained up to the commencement of any future international agreement on climate change can be used to assist in achieving future compliance (applying the precedent granted to the CDM in the Kyoto Protocol.)

c. Subsidiary Body for Implementation

Considering the urgent need for prompt action along with the need to mobilize the necessary resources through crediting early action, the Parties should immediately refer related matters to the Subsidiary Body for Implementation.

² IPCC Fourth Assessment Report, Working Group III, Summary for Policy Makers, Page 67