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WWF Global Climate Policy **POSITION PAPER**

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WWF position on forests and climate change mitigation

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Forests have significant economic and ecological value as a provider of ecosystem services, being home to much of the world's biodiversity and supporting the livelihoods of over 1 billion of the world's poorest people. **There is an urgent need for capacity building and early action now.**

*Photo: Misty sunset on the Amazonian forests.
French Guiana*

Executive summary

A strong post-2012 climate regime is essential to keep the rise in global temperature well below 2 degrees Celsius. Reducing emissions from deforestation and forest degradation in developing countries (REDD) is a critical component of the overall greenhouse gas emission reductions required to achieve this climate goal. The following strategies are needed to ensure REDD supports a successful global climate regime.

Phased approach

REDD will require significant preparation and planning to produce measurable, reportable and verifiable reductions. This is best achieved through **national-level REDD programs with national-level baselines and monitoring. These programs should be developed in three rigorous phases: Planning (Phase 1), Preparing (Phase 2) and Executing (Phase 3).** Graduation from one phase to the next should be based on clear, internationally approved standards within a United Nations Framework Convention on Climate Change (UNFCCC) defined framework. The post-2012 treaty will need mechanisms to oversee countries' passage through these phases at their own pace, and to determine and periodically review national baselines.

Financing REDD

REDD will **need substantial and predictable amounts of funding starting immediately.** There is an urgent need for capacity building and early action now. Developed

countries should commit to provide such funding as part of the agreements reached at the 15th Conference of the Parties (COP15) in Copenhagen. **High levels of predictable funding from sources such as Assigned Amount Units (AAU) auctioning,** as well as other possible mechanisms including levies on international transport, **will be needed to secure the fast movement of countries through REDD development phases and as an incentive for emissions reductions and should be urgently pursued.** Additional funding from other public and private funding sources and voluntary carbon markets will also be needed.

Over time, **compliance carbon markets¹** can also play an increasing role in securing adequate funding for REDD. This must happen in a way that maintains the integrity and overall functioning of the market, ensures developed countries have sufficient incentives to transform their domestic economies, maximizes funding for REDD and is perceived as fair in terms of the effort for emissions reductions demanded of different countries.

As a group, developed countries must commit to a 40% reduction by 2020 as compared to 1990 levels, with the vast majority (emissions reductions of 30%-35%) achieved domestically through transforming critical sectors such as energy. Simultaneously, developing countries must be supported to achieve at least 30% emissions reduction below business-as-usual (BAU) scenarios. **Annex 1 countries should assist developing countries to achieve this deviation by funding REDD and other emission reductions efforts with public or market-linked funding such as AAU auctioning.**

¹ Compliance market is defined here as one where a credit can count against a UNFCCC commitment

Additional REDD financing could come from offsets and developing country actions that are not financially supported by Annex 1 economies.

An alternative way to express this would be for developed countries to explicitly set a **'dual-target'** with one part covering domestic action and another part covering their financial and technological support for developing countries' deviation from BAU, including REDD. In either scenario, it is important to prevent REDD from being double-counted as emissions reductions in developed and developing countries.

Early action activities

As agreed in the COP in Bali in December 2007, **pilot projects and other readiness activities at national and sub-national levels should start immediately** to gain experience and help develop robust national REDD systems. **Public funding is the most appropriate source for early action.**

Scope

Stopping deforestation and degradation is the most urgent forest related task, will bring the most immediate climate benefits, and has the most established monitoring methodologies. Addressing emissions from agriculture, forestry and other land uses (AFOLU) is a medium-term priority. Parties should begin now to find ways to create conditions for AFOLU to be integrated in the climate regime over time.

Co-benefits

REDD has the potential to create substantial environmental, social and economic co-benefits. To ensure this, REDD policies must be consistent with national **sustainable development** objectives that promote conservation and **biodiversity**, and safeguard the rights of **local communities** and Indigenous Peoples.

The background

Forests have a vital role to play in the fight against global warming, being the largest terrestrial store of carbon and the third largest source of carbon emissions after coal and oil. Deforestation is estimated to be responsible for 18% of current greenhouse gas emissions². In addition, forests have significant economic and ecological value as a provider of ecosystem services, being home to much of the world's biodiversity and supporting the livelihoods of over 1 billion of the world's poorest people.

Although their importance in addressing climate change is clear, forests have had a complex history in the international climate negotiations. The UNFCCC calls on all nations to protect and enhance the reservoirs of carbon, including forests. The Marrakech Accords made *afforestation and reforestation*³ projects in developing countries eligible to a limited extent for the Clean Development Mechanism (CDM) – a flexible mechanism that allows developed countries to offset some of their emissions through projects in developing countries.

The Marrakech Accords, however, excluded *deforestation* and forest *degradation* in developing countries. There were a number of reasons for this, including concerns that: 1) carbon stored in forests might not be permanent because it could be released in the future due to human activities such as logging or natural disturbances such as drought; 2) protecting a forest in one place might simply result in deforestation in another area (*leakage*); 3) deforestation "avoided" by the project might not have happened anyway (*additionality*), and; 4) data and methodologies weren't available and/or sufficiently accurate.

Another key concern at the time of the Marrakech Accords was that developed countries would have fewer incentives to reform their economies if they were allowed to offset emissions with projects in developing countries.

² Stern, N. "The Economics of Climate Change", (2006), The Office of Climate Change, London, UK.

³ Afforestation refers to planting new forests while reforestation refers to recreating severely degraded or cleared forests.

Where we are now

Avoiding catastrophic climate change will depend upon holding the average increase in global temperatures to well below 2°C – a feat that will require the global emissions of greenhouse gases to be reduced by at least 80% below 1990 levels by 2050. Achieving cuts of such magnitude will require steep reductions in all sources of greenhouse gas emissions – including the emissions from deforestation and forest degradation. WWF's Climate Solutions report concluded that the probability of success in limiting global warming to 2°C drops progressively from greater than 90% down to 35% in the absence of effective action to curb REDD emissions⁴.

Recognition of this reality, together with recent technical improvements in monitoring forest cover through satellite imagery, have contributed to an emerging international consensus, signalled in the COP in Bali, that a post-2012 UN climate agreement must include measures and objectives to curb greenhouse gas emissions from deforestation and forest degradation based on a national-level framework, as well as the necessary finance and technical assistance to achieve it.

Proposals for a post-2012 REDD mechanism have started to address the concerns around leakage and permanence of forest carbon. Widespread acceptance of the need to develop national-level REDD programs goes a long way towards addressing leakage concerns stemming from project-level initiatives. Various options have been proposed to address the risk of non-permanence, including buffers (i.e. only “selling” a proportion of the emissions reductions into the system), pooling of multiple forest areas, discounting (i.e. applying a discount factor to the emissions reductions achieved) and insurance and liability schemes.

Several key questions today shape the debate around REDD. They include:

- How should REDD be included in the post-2012 agreement?
- How can developing countries produce measurable and verifiable emissions reductions through REDD?
- How should REDD be financed?
- What is the appropriate scope of REDD (i.e. deforestation, forest degradation, soils, reforestation, etc.)?

Inclusion of REDD in the post-2012 climate agreement

REDD's integration into the post-2012 UN climate agreement must support speedy implementation and give REDD the prominence it requires. REDD reductions should be seen as part of an overall package needed to achieve climate goals.

The post-2012 treaty will need mechanisms to oversee the development of national REDD programs, as well as mechanisms to determine and periodically review national baselines.

In a scenario where developed countries set an overall target that includes domestic reductions and offsets, developed countries as a group must commit to 40% reduction by 2020 as compared to 1990 levels, with the vast majority (emissions reductions of 30%-35%) achieved domestically through transforming critical sectors such as energy. Simultaneously, developing countries must be supported to achieve at least 30% emissions reduction below business-as-usual (BAU) scenarios. Annex 1 countries should assist developing countries to achieve this deviation by funding REDD and other emission reductions efforts with public or market-linked funding such as AAU auctioning. Additional REDD financing could come from offsets and developing country actions that are not financially supported by Annex 1 economies. An alternative way to express this would be for developed countries to explicitly set a 'dual-target' with one part covering domestic action and another part covering their financial and technological support for developing countries' deviation from BAU, including REDD. In either scenario, it is important to prevent REDD from being double-counted as emissions reductions in developed and developing countries.

⁴ Mallon, K., G. Bourne and R. Mott "Climate Solutions; WWF's Vision for 2050" (2007) WWF International, Gland, Switzerland provides greater detail on the need to reduce emissions from deforestation and degradation as a necessary part of a comprehensive global climate strategy.

Phasing a national-level REDD approach

A national-level approach to REDD in developing countries should be adopted in which activities fit into a national framework and accounting system. A national approach is critical to address the leakage risks described above and to address deforestation in a comprehensive manner, by tackling key national and local drivers of deforestation and supporting institutional and technical capacity building in developing countries.

The system should be built in three phases – Planning, Preparing and Executing – that have clear, internationally approved thresholds and pre-defined criteria for graduating from one phase to the next. A UNFCCC-defined international institutional REDD mechanism would implement the phased process in a way that allows individual countries to proceed at their own pace.

The post-2012 climate agreement will secure measurable, reportable and verifiable (MRV) REDD actions with increasing security as the country moves through the phases. It is anticipated that most emissions reductions would occur in Phase 3, although early action pilot activities should be encouraged in Phases 1 and 2. A summary of the activities and requirements for each stage is provided below:

PLANNING (PHASE 1)

Assessment, planning, stakeholder consultations and institutional capacity building to develop a national REDD plan

By the end of Phase 1, the following requirements will have been achieved:

- 1 Well-established process and institutional arrangement for engaging stakeholders with a credible and monitorable participation plan;
- 2 Identification of national government REDD authority;
- 3 Base-level MRV capability and plan to acquire capability necessary to meet all reporting requirements;
- 4 Approval of a national REDD plan that includes an assessment of the drivers of deforestation in the country and a first cut at a national baseline.

PREPARING (PHASE 2)

Development, initial implementation and monitoring of policies and measures in accordance with the national REDD plan

By the end of Phase 2, national REDD framework would be established through

- 1 Full MRV capability;
- 2 Authentic engagement of stakeholders via a transparent and documented participatory process that reflects prior informed consent of affected forest-dependent peoples;
- 3 Testing elements of the framework (MRV, engagement, improved capacity) through pilot activities at the sub-national and national level;
- 4 Approval of framework and institutional readiness, including a national baseline by the appropriate international body designated by the convention.

Global Agreement and Framework: In addition to in-country development of a national REDD program, the ability to move into full execution is dependent on the adoption of a global framework by the UNFCCC which includes a system for MRV assessment of emissions reductions.

EXECUTING (PHASE 3)

Full-scale implementation of the emission reduction measures under the national REDD plan

Based on development during Phases 1 and 2, by Phase 3 countries would have in place a:

- 1 Fully-functioning national REDD authority and other national bodies to verify emissions reductions;
- 2 Fully-functioning MRV capability operationalized with assessments of deforestation and forest degradation conducted at intervals sufficient to meet all international standards. Assessment results should be independently verified and fully transparent;
- 3 Fully-functioning dispute or conflict resolution capacity to ensure fair and equitable treatment and revenue sharing with Indigenous or forest-dependent peoples.

Financing of REDD

The post-2012 climate agreement should ensure sufficient and sustainable incentives for REDD to become an integral component of the global climate solution and the international financial architecture. It is a priority that industrialized countries commit to provide sustainable and binding funding for mitigation and adaptation in developing countries as a fundamental part of the Copenhagen agreement, alongside their own deep domestic reduction targets.

REDD will need significant funding from multiple sources⁵. Different funding sources will be appropriate for the three phases of REDD's development and for different national circumstances. The funding system for REDD must:

- Promote substantial investment in reducing deforestation from a mix of funding sources as soon as possible.
- Support reductions that have a high level of certainty and climate integrity.
- Ensure that any new supply of credits from REDD does not undermine the functioning and intended purpose of the carbon market.
- Incentivize reaching Phase 3 as soon as possible.
- Treat countries equitably – there need to be adequate incentives for countries that have less capacity to reach Phase 3 and countries with significant carbon stocks but low deforestation rates.

Appropriate funding sources for REDD will vary over the phases as follows:

Planning and Preparing

(PHASES 1 & 2)

REDD will need adequate and predictable funding starting immediately. Developed countries should commit to provide such funding as part of the agreements reached at COP15 in Copenhagen. In the near term, this funding will need to come from new official development assistance while other

market-linked mechanisms are implemented. Pursuant to a new agreement in Copenhagen, high levels of predictable funding from sources such as AAU auctioning, as well as other possible mechanisms including levies on international transport, will be needed to secure the fast movement of countries through REDD development phases and should be urgently pursued. Additional funding from other public and private funding sources and voluntary carbon markets will also be needed.

Early actions during Preparing

(PHASE 2)

REDD will most effectively meet the goal of producing MRV emissions reductions through the implementation of national REDD frameworks where emissions reductions are accurately measured against national baselines. A national approach will minimize leakage, allow for effective treatment of drivers of deforestation and promote permanence.

With that said, it will take some time for countries to reach Phase 3. As agreed in the COP in Bali, pilot projects and other readiness activities at national and sub-national levels should start immediately to gain experience and help develop robust national REDD systems.

Substantial and predictable public funding must be provided to support early action and quickly move countries towards effective national REDD programs (Phase 3 – Executing). Once countries reach Phase 3, this funding could be supplemented as REDD activities begin to enter the compliance carbon markets, in line with the developed country targets outlined above.

Allowing project-based activities to have access to compliance markets during Phase 2 would not adequately ensure climate integrity or incentivize progress to Phase 3, and should not be allowed. The option of banking credits from Phase 2, for use as and when countries have reached Phase 3, may be considered.

⁵ A range of figures have been estimated for the costs of REDD, with most estimates falling within \$20-33 billion/year to halve deforestation. (Stern, 2008, *Key Elements of a Global Deal on Climate Change*; Strassburg et al, 2008, *An Empirically-Derived Mechanism of Combined Incentives to Reduce Emissions from Deforestation*; UNFCCC, 2007, *Investment and Financial Flows to Address Climate change*)

Executing

(PHASE 3)

High levels of predictable funding from sources such as AAU auctioning will continue to be needed as an incentive for emissions reductions achieved. Over time, inclusion of REDD in compliance carbon markets can also play an increasing role in securing adequate funding for REDD once a country reaches Phase 3. This must happen in a way that maintains the integrity and overall functioning of the market, ensures developed countries have sufficient incentives to transform their domestic economies, maximizes funding for REDD and other mitigation actions in developing countries and is perceived as fair. Options for achieving this are described above in the section on Inclusion of REDD in the post-2012 climate agreement.

Scope of forest-carbon activities to be included

The potential scope of forest-carbon extends beyond REDD to conservation and maintenance of forest-carbon stocks and afforestation/reforestation. There are also significant mitigation opportunities in agriculture and other terrestrial carbon outside of forests. Addressing emissions from AFOLU is a high priority in the medium-term, and parties should begin now to create conditions for AFOLU to be integrated in the climate regime over time.

Stopping deforestation and forest degradation is the most urgent task in the context of the overall climate-related land use policy, will bring the most immediate climate benefits, and has the most established monitoring methodologies. Therefore, the post-2012 UN climate agreement should focus first on REDD, defined as deforestation and forest degradation. Over time, parties should seek to include the broadest possible sources and stores of carbon emissions to minimize international leakage and maximize potential climate impact.

Delivering robust climate benefits

Additionality, leakage and permanence

The use of national programmes for REDD, as delivered in Phase 3, is an effective way of addressing concerns with in-country (or intra-national) leakage and difficulties in determining additionality of activities carried out at a sub-national or project level.

Various options have been proposed to address the risk of non-permanence from natural, directly human-induced or indirectly human-induced variations in forest emissions. Solutions should involve a national commitment to address risks that can be mitigated on the ground through capacity building, governance, control of territory, law enforcement, land use planning and other measures. There should be a transparent and independently verified demonstration of these national efforts as part of the monitoring, reporting and verification scheme developed during the Planning and Preparing phases.

Additional steps should be taken to reduce non-permanence risks that cannot be mitigated on the ground, such as changes due to climate change and natural disaster. Potential options include discounting, buffers, pooling, insurance and government guarantee of output. Decisions made around issues should be based on a solid assessment of the range of risks, conservative accounting, an end objective of replacing the “lost carbon” and the importance of ensuring permanence between compliance periods.

Reference levels

A country’s reference level or baseline involves the identification and measurement of emissions reductions in comparison to a business-as-usual scenario. It should be set in a way that encourages “real” reductions that would not have happened otherwise (i.e. ensure additionality).

A technical group under the Convention should approve and review national baselines and strengthen them periodically. Broad participation by countries in REDD should be encouraged, either through flexible baselines based on national circumstances or some

other mechanism. The process of establishing and reviewing baselines should be independent and take into consideration the global impact from all country baselines.

Monitoring, reporting and verifying emissions reductions

MRV of emissions reductions from REDD is critical to ensure that there are robust climate benefits delivered through these activities, alongside environmental and social safeguards. Proposed requirements for the three development phases of REDD have been outlined in the Annex. MRV for forest-carbon by Phase 3 must be equivalent to the capacity to monitor other types of emissions reductions and, therefore, the ability to deliver MRV of emissions reductions is a major component for countries graduating through Phases 1 and 2, with a UNFCCC-approved MRV system being a pre-condition of entering Phase 3.

MRV should be reliable, accurate and efficient. In addition, it should be simple and as cheap as practicable, and able to be applied to a wide variety of countries and circumstances. There should be open and meaningful participation of stakeholders and the systems should be transparent. MRV systems should be based on an internationally approved set of rules with scientific validity and once developed, should be independently verified.

Delivering broader social and environmental objectives

REDD has the potential to create substantial environmental, social and economic co-benefits. Approaches such as High Conservation Value Forests, Sustainable Forest Management, Systematic Conservation Planning, improved management and extensions of Protected Area systems should be integrated into national REDD programs. In addition, REDD should be consistent and develop synergies with the Convention on Biological Diversity.

REDD mechanisms present both opportunities and risks for Indigenous Peoples and local forest-dependent communities. Governments must ensure that any forest and climate agreement/REDD mechanism is consistent with international human rights agreements and declarations, with particular attention to the UN Declaration on the Rights of Indigenous Peoples and ILO Convention 169. Governments must also ensure that the provisions of these international agreements and declarations are actively applied in REDD implementation.

The development of national REDD programs must include genuine engagement of stakeholders via a transparent and documented participatory process. Policies that affect forest peoples require free, prior and informed consent.

Annex A: Preliminary draft of REDD national phasing

Building on the work undertaken by other organisations and parties, such as the Options Assessment Report commissioned by the Norwegian Government and proposals from parties, including the Coalition for Rainforest Nations, this is a preliminary draft for discussion of proposed activities and requirements for the three phases of national REDD development.

PHASE 1: PLANNING

Assessment, planning, stakeholder consultations and institutional capacity building to develop a national REDD plan

Consultation and transparency: Begin a structured and documented process of ongoing consultation with a wide range of non-government and government stakeholders. Establish a national body for coordinating consultation to ensure open and meaningful participation of stakeholders throughout the preparation and implementation phases.

National entity: Identify the national government entity that will have final authority to authorize the REDD units.

Monitoring, reporting and verification (MRV): Establish a national capability for MRV that provides at least a coarse-level assessment of the extent of deforestation and historical trends (at a minimum, this would be equivalent to Tier 1 capability defined by the IPCC).

IPCC and other guidance: While official requirements for REDD MRV are yet to be established, participating countries should follow best guidance (e.g. the latest IPCC guidelines) in developing a sub-section of the national REDD plan for building a more robust MRV capability that will ultimately achieve the principles of transparency, consistency, comparability, completeness and accuracy. Good practice guidance emerging from the Forest Carbon Partnership Facility (37 participating countries) and

the UNREDD program (nine countries) should be applied as appropriate.

National plan: Development and submission of a national REDD plan to the appropriate international body designated by the convention. Elements should include:

- Identification of policies and measures and of prospective early actions necessary to make meaningful reductions and gain relevant practical experience.
- Pathway to equitable sharing of benefits.
- Means of delivering social and environmental co-benefits.
- Assessment of the drivers of deforestation and forest degradation and development of strategies and relevant actions to address them.
- Initial cut of national baseline or reference level with identification of gaps in data, monitoring capacity and analytical capability that must be closed prior to arriving at a final baseline or reference level.

Threshold criteria for moving to preparation phase:

By the end of Phase 1, the following requirements will have been achieved:

- 1 Well-established process and institutional arrangement for engaging stakeholders with a credible and monitorable participation plan;
- 2 Identification of national government REDD authority;
- 3 Base-level MRV capability and plan to acquire capability necessary to meet all reporting requirements;
- 4 Approval of a national REDD plan that includes an assessment of the drivers of deforestation in the country and a first cut at a national baseline.

PHASE 2: PREPARING

Development, initial implementation and monitoring of policies and measures in accordance with the national REDD plan

Implementation framework: Develop a REDD implementation framework that would include appropriate institutional arrangements and legal requirements to implement REDD activities, including clear resource tenure.

Full MRV capability: Develop or acquire MRV capability that provides all information and data for both deforestation and forest degradation in accordance with the standards established by the IPCC and endorsed by the UNFCCC. The level of MRV capability will vary within the country depending upon the significance of target sources/sinks, available data, complexity of land cover, and incentives framework. In some areas, it is anticipated that conservative estimates based on lower precision methods (e.g. “Tier 1” and “Tier 2” in IPCC) will be used initially (with an expectation that countries will move to higher tiers during a timebound period) and uncertainty and risk may also be dealt with through buffering, pooling, discounting or banking.

National baseline: Finalize national baseline or reference level in accordance with the standards eventually adopted by the UNFCCC. Elements should include:

- Baseline or reference level should be established in a manner so that significant improvement from BAU is required prior to generation of verified emissions reductions.
- Demonstration of capability to monitor and document performance in relation to the baseline or reference level.
- National accounting methodology, including means of accounting for impacts of sub-national activities in relation to the national baseline or reference level.

Assessing early action: The national REDD implementation framework should be tested and adapted during Phase 2 based on early action pilot programs at the sub-national and national level and/or demonstration projects.

Transparency and stakeholder engagement: Throughout the development of the national framework, monitoring capability, national baseline or reference level, and initial implementation, an open, transparent and authentic participatory process should be used to fully engage all affected parties.

Threshold criteria for moving to executing phase:

By the end of Phase 2, national REDD framework would be established through:

- 1 Full MRV capability;
- 2 Authentic engagement of stakeholders via a transparent and documented participatory process that reflects prior informed consent of affected forest-dependent peoples;
- 3 Testing elements of the framework (MRV, engagement, improved capacity) through pilot activities at the sub-national and national levels;
- 4 Approval of framework and institutional readiness, including a national baseline by the appropriate international body designated by the convention.

Global agreement and framework: In addition to in-country development of a national REDD program, the ability to move into full execution is dependent on the adoption of a global framework by the UNFCCC.

PHASE 3: EXECUTING

Full scale implementation of the emission reduction measures under the national REDD plan

Based on development during Phases 1 and 2, by Phase 3 countries would have in place a:

- 1 Fully-functioning national REDD authority and other national bodies to verify emissions reductions;
- 2 Fully-functioning MRV capability operationalized with assessments of deforestation and forest degradation conducted at intervals sufficient to meet all international standards. Assessment results should be independently verified and fully transparent;
- 3 Fully-functioning dispute or conflict resolution capacity to ensure fair and equitable treatment and revenue sharing with Indigenous or forest-dependent peoples.

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