

July 7, 2011

## DRAFT

### GCF Secretariat Report on Task 1 (Subnational REDD Framework) Background & Status, Next Steps, and Feedback to Date

#### Background & Status

##### 2010

At the 2010 GCF meeting in Aceh, Indonesia, the GCF Task Force members agreed that the primary focus of the GCF Task Force Working Groups and members in the short-term (from now until the 4<sup>th</sup> GCF Task Force meeting in Santarém, Pará (tentatively set for September 13-17, 2010)) will be on 4 Work Tasks and related outputs discussed in more detail below. They included:

**Task 1:** To develop GCF design recommendations for subnational (state- and province-level) REDD frameworks for review and approval at the GCF Task Force September 2010 meeting and circulation at the 16<sup>th</sup> Conference of the Parties to the UNFCCC (COP-16); engage with third party standards (e.g. CAR, VCS, CCB+CARE, IPCC Good Practice Guidelines, and Plan Vivo).

The members of Task Group 1 volunteers in 2010 were:

1. Barb Bamberger (California) (Andrew Altevogt and Lauren Faber (CalEPA) participating as well)
2. Ernesto Roessing (2010 GCF Coordinator in Brazil)
3. Fadmi Ridwan (Aceh)
4. Luis Meneses (Acre)
5. Marinah Embiricos (interim 2010 GCF Coordinator in Indonesia)
6. Natalie Unterstell (Amazonas)
7. Paul de Long (Wisconsin)
8. Rodolfo Pereira or Claudio Flores (Pará )
9. Toby Garritt (Papua)
10. William Boyd and Julie Teel (Secretariat) (LEAD)

Task 1 circulated an initial Draft Report in July 2010 for review and consideration by the GCF task group members and in early August 2010 to stakeholders for input prior to the GCF's meeting in Santarém. As explained in the Draft, it built upon the Options Paper (*Regulatory Design Options for Subnational REDD Mechanisms*) developed by William Boyd (GCF Project Lead) for a February 2010 Technical Workshop on REDD Regulatory Design in Sacramento, CA, results and follow-up from that Workshop, the draft Terra Global Capital on nesting architectures, preliminary input from the Task 1 members and GCF Coordinators in Brazil and Indonesia. The Secretariat presented a revised and translated version to the GCF prior to the GCF's September 2010 meeting in Santarém, Para. The Task 1 documents circulated before that meeting are available at <http://www.gcftaskforce.org/documents.html> under "Santarém Meeting Documents for Discussion (September 13-16, 2010)."

As the Draft Report reveals, the GCF faces some challenges in its quest to develop a coherent set of design recommendations with any degree of granularity when the GCF represents very diverse states and provinces from both sides of emerging markets (and with interests that reach beyond the markets) and when some details will necessarily be determined on case-specific bases down the road. That said, the Draft Report provided an overview and preliminary GCF recommendations on many of the key issues and flagged many others to be addressed in more detail moving forward (e.g. nesting or integrated REDD). Despite the challenges, the report will be very useful in demonstrating the commonality of interests and purpose of the GCF states and provinces and their willingness to work together to develop a coherent framework for developing inter-operable REDD programs.

At the Santarem meeting, the GCF directed the Task 1 Lead (the Secretariat) and Task Members to:

- Further refine the Task 1 Report based on feedback from members and stakeholders
- Include more specific reference to public finance opportunities in the next version of the Report
- Present the Task 1 report to GCF member states/provinces for adoption in time for COP 16. The GCF member states/provinces committed to review, comment, and decide on adoption of the Task 1 Report according to a specified timeline (with adoption of the Report by COP-16, if possible).

Following the Santarem meeting, the Secretariat incorporated additional feedback received on the draft report after Santarém (from the Indonesian provinces, the Tropical Forest Group and a few others) and awaited feedback from the Brazilian states and NGOs from their November 3 workshop convened in large part to analyze the draft. It did not receive the feedback from the Brazilian Workshop until February 2011. It was apparent after the Santarem meeting that more time was needed to await feedback, revise, translate, and secure sign-off from all of the states and provinces on a final Task 1 Report that was available prior to COP-16. Consequently, the continuation of the work in developing a high-quality report on Subnational REDD Frameworks that can be endorsed by the GCF member states and provinces was established as a key deliverable for 2011.<sup>1</sup>

---

<sup>1</sup> Consistent with the mandate for Task Group 1 approved at the Aceh meeting, the Secretariat also engaged 3<sup>rd</sup> party standards organizations, including the Voluntary Carbon Standard (VCS) and the Climate Action Reserve (CAR), and are in the process of gathering information from them regarding their plans to develop a set of rules that would accept subnational REDD credits into their respective systems. VCS, in particular, has put in a proposal to the Climate and Land Use Alliance (CLUA) to develop a set of requirements for jurisdictional accounting for REDD activities in states and provinces. We have only just become aware of this proposal and are providing some feedback to make sure that they move forward in a way that supports the work of the GCF states and provinces.

## **2011**

On February 1, 2011, the Secretariat communicated with the GCF members via email with an update. The message noted that in the coming weeks, the Secretariat would be reaching out to each state and province individually (with the assistance of the GCF Coordinators in Indonesia and Brazil) to follow up in more detail on the 2011 objectives and to identify Task Group Leads & Members, and to establish procedures for regular contact with the group. IN addition, it included the following information:

**Task Groups (throughout 2011):** As in 2010, the Task Groups will rely on the GCF member states and provinces for leadership, guidance, input, and endorsement of deliverables. The Secretariat (including country coordinators and consultants) will be responsible for developing work product for the task groups' consideration and finalizing deliverables based on member input.

### ***Task Group 1 (Subnational REDD Framework)***

Interim Lead: GCF Secretariat (University of Colorado, Coordinators, and Consultants)

Members: TBD (see Appendix 1 below for 2010 leads and members)

Objective: produce a common Final GCF Subnational REDD+ Framework for REDD+ programs capable of generating compliance-grade emissions reductions from GCF states and provinces that can be integrated into existing and emerging market and non-market opportunities, including GHG compliance markets (notably California), public finance/pay for performance schemes, commodity roundtables, and voluntary markets. Secure member endorsement of 2011 GCF-endorsed Framework by the GCF Meeting in Indonesia for presentation at the UNFCCC COP-17 in South Africa.

Status: Task Group 1 has produced a draft Subnational REDD Framework report and received feedback from several states and provinces. It is awaiting feedback (currently in translation) from the November 2010 Task 1 workshop in Manaus, Brazil attended by the Brazilian states and stakeholders.

#### Next Steps:

- Review/incorporate input from November Brazil workshop.
- Develop a more "user-friendly" format for the Framework for consideration/adoption by the states and provinces (to be built out and refined throughout the next 11 months with input from the states and provinces).
- Communicate with each state and province and the GCF Coordinators in Brazil and Indonesia to get feedback on the revised Framework.
- Continue to engage and coordinate with existing standards organizations (e.g. Voluntary Climate Standard, Climate Action Reserve) and other efforts (e.g. California Air Resource Board cap-and-trade program and California-Acre-Chiapas MOU process) regarding the development of subnational REDD+ frameworks.
- Work with the states and provinces to schedule the 6 workshops around key Framework and Database issues.

Consistent with the above, but on a slower timeline than hoped, the Secretariat has now incorporated all of the Indonesian and Brazilian input to the Draft Report. It has also updated the draft with the new California Regulation provisions and is working on updating the UNFCCC provisions based on the final texts that came out of Cancun. Other recent developments relevant to the Report that the Secretariat is in the process of considering and incorporating

(with the help of the GCF Coordinators in Brazil and Indonesia and future consultations with the member states and provinces), include:

- Updated data submitted for the GCF Database (Task 2)
- Updated progress from the Voluntary Carbon Standard and the Climate Action Reserve, which are both working on sector-based standards and nesting.
- UN REDD, FCPF, REDD+ Partnership updates and other national alignment developments and issues.
- Recent nesting literature
- Information about other sources of finance and fast start REDD+ funds (if available)

### **Next Steps**

- Continue above-discussed revisions
- Determine whether members *want* to be named to Task 1 (and other Tasks 2-4) or if Secretariat/Coordinators should develop revisions and seek input from all GCF states/provinces
- Plan a workshop in Amapa for September—Task 1 history and technical training on key issues
- Other?

## APPENDIX

### Member & Stakeholder Feedback to Date

Task 1 received initial comments from its Task Group members and a few interested stakeholders in July and August 2010. After distributing the revised and translated draft GCF Report on Subnational REDD+ Frameworks in early September 2010, Indonesia and Brazil GCF members held meetings (October 2010 and November 2010, respectively) to discuss and provide comment on Version #1. In addition, several other comments on the Task #1 Report were received.

All reports by GCF members and stakeholders are available for review on the GCF website under Documents<sup>2</sup>. Below are summaries of the major contributions and comments that were provided to the GCF Secretariat.

#### Indonesia

The GCF's Indonesian provinces provided the following key observations, comments, and suggestions on the September 7, 2010 version of the Task 1 Report on subnational REDD+ frameworks.

- In terms of crediting pathways, Indonesia supports multiple pathways that are based on national compliance mechanisms and accounting frameworks.
- In terms of reference levels and crediting levels, Indonesia GCF members support including some element of projected deforestation, with the caveat that projected deforestation is defined by clear and transparent standards that can be applied across states and provinces.
- In terms of crediting levels, Indonesia GCF members support no more than a 10% difference between reference levels and crediting levels and that "provinces' shares of national reduction commitment can be included as part of this reduction."
- In terms of State/Province-wide REDD+ Plans/Strategies/Programs, Indonesia GCF members state that these plans should be part of spatial planning processes. Indonesia GCF members also said that any plans at the state/province level should be consistent (nested) within national strategies and consistent with national reduction commitments.
- In terms of GHG Inventory/Tracking/Registries, Indonesia GCF members anticipate Province-level MRV will be developed under a national framework. In terms of nested project MRV, Indonesia GCF members believe these should be handled through national mechanisms and/or third party methodologies.
- Indonesia GCF members support a staged approach to REDD nesting.

#### Brazil

The GCF's Brazilian members who attended a November 3, 2010 meeting on subnational REDD+ frameworks<sup>3</sup> and several Brazilian stakeholders, produced a report that provided observations,

---

<sup>2</sup> <http://www.gcftaskforce.org/documents.html>

<sup>3</sup> Brazilian GCF members Amapa and Para could not attend this meeting.

comments, and suggestions for a GCF Framework. This report noted the initial (September 2010) Task 1 Report contains some general recommendations and also had many questions which remain unresolved. The purpose of the workshop was to build common understanding of key aspects related to subnational REDD+ systems. The following points in common were noted:

- Subnational REDD+ programs must allow government and non-government REDD+ efforts to be viable. And these programs and projects must be able to work with donor funds as well as will compensation systems (e.g., performance-based incentives).
- Nesting and integration of REDD+ efforts across scales will depend to a large degree on the adequacy of national systems.
- Various pilot REDD+ initiatives underway in Brazil are in various stages, some that are trading REDD+ credits in voluntary markets, and the absence of clear regulations generates uncertainty to investors and donors.
- A national regulation that provides for the integration of subnational REDD+ initiatives is necessary to ensure the integrity of the system. Subnational REDD+ structures must integrate generation of project-based offsets, in accordance with evolving national positions and acceptances of various practices.
- There are different ways to integrate and nest various REDD+ scales, including through negotiation, stock-flow approaches, and linking specific categories of land use (such as indigenous lands).
- A stock-flow approach is gaining traction in Brazil and there are various ways to structure such an approach. Some of these approaches would require some negotiation, for instance between states for a federal stock-flow approach, or between different land types or locations in subnational REDD+ programs. Other approaches could use spatial modeling to differentiate between areas with high deforestation pressures (“flow” areas) and areas with low deforestation pressures (“stock” areas).
- Forest degradation and registration of emissions reductions from avoided degradation should occur in latter periods after consolidation of methodologies.

In addition to the above “points in common”, the Brazil report also discussed other issues and arrived at various recommendations. These are summarized below:

- Regarding “define baselines for generation of REDD+ credits”, recommendations included: 1) National government should have a baseline, 2) state baselines should be structured to integrate with the national baseline, 3) each state would have a registry for REDD+ activities in its state, and 4) there not be a crediting baseline, but rather a specific percentage of emissions reductions could become tradable credits after verification.
- Regarding registries, integration of carbon accounting, and management of registries”, recommendations included: 1) subnational REDD+ accounting must be integrated in accordance with national accounting, 2) emissions reductions must be integrated in such a way to avoid double counting, 3) in the absence of a national system, States could establish “preliminary registries which should strive to integrate with future national REDD+ systems, and 4) the possibility to “eliminate methodologies” such as definition of a baseline” and to let States develop systems that address minimum requirements and application of best practices, and 5) preliminary registries (in the absence of national registries or systems) could involve some form of non-objection letters from relevant authorities.

In addition to the above common points and recommendations, the Brazil report noted a key topic in terms of integrating national and state REDD+ registries will be the issue of federal lands.

The Brazil Report on Task 1 also noted that in terms of which actions could be eligible for generating offsets, the stock-flow approach could be used to foster projects development. The report one alternative for offset eligibility would be for states to determine how many credits projects can be allocated, these should be posted on registries and that these projects should use existing methodologies given that would need to be approved by either subnational or national governments.

The Brazil report also addressed the issues crediting pathways by stating “State governments would be responsible for issuing tradable credits based on previously established State requirements.

### **Other Stakeholder Comments**

In addition to comments by GCF members (on their own and through their national coordinators), other stakeholders have provided input to the GCF including on Task 1 (primarily FAS, which submitted comments via email). Comments below are restricted to comments on specific issues associated with subnational REDD+ frameworks (not on other parts of the GCF or parts of the Task 1 Report that are not recommendation-specific). These comments include:

- Including emerging national standards (as well as voluntary schemes such as the VCS, CAR, CCBA) as part of the process of informing a subnational GCF REDD+ framework.
- There should be an explicit emphasis on the concept of three phases in terms of crediting pathways.