

Mark Belton

REDD Progress at Copenhagen

While there has been widespread grief about the stalled UNFCCC (United Nations Framework Convention on Climate Change) process following COP15 at Copenhagen, there were some areas of positive progress.¹ One of the most notable was in the development of agreements on reducing emissions from deforestation and forest degradation (REDD). REDD was excluded from the Kyoto Protocol because at the time the policy and methodological issues were considered too difficult to resolve.

An object lesson on the importance of reducing emissions from tropical rainforest destruction occurred in the year following the Kyoto COP 3 meeting, when a major El Niño event which spread across South East Asia caused severe drought, widespread fires and destruction

of forests and forest peat soils. As much as a third of global CO₂ emissions during this extreme climate event in 1998 could be attributed to destruction of tropical forest.

It took eight years, until COP 11 in Montreal, for REDD to regain traction

within the UNFCCC, when agreement was reached to launch a two-year initiative to examine the potential of REDD. This subsequently led to the decision at COP 13 to include a somewhat expanded concept of REDD, so-called REDD-Plus, in the Bali Action Plan on mitigation strategies, in preparation for anticipated agreements at Copenhagen. At Bali the findings of the Fourth Assessment Report of the Intergovernmental Panel on Climate Change were presented and rainforest destruction and degradation was identified as accounting for as much as 17.3% of annual global emissions – in the order of 8 giga-tonnes per annum.

However by 2008-2009, in the midst of a global recession, reduced drivers of deforestation, more effective actions by rainforest nations to counter illegal rainforest removals (especially by Indonesia and Brazil), and in the absence of a major El Niño event, emissions from destruction of forests may have dropped to as low as 10% of the global greenhouse gas (GHG) emissions. I mention this wide range in rainforest emissions to illustrate their huge variability, and the complexity of factors involved, and the challenges that lie ahead for design of effective

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REDD methodologies, particularly the determination of national baselines.

To halt destruction and degradation of tropical rainforests is unquestionably of critical importance to maintain their huge carbon stocks and to conserve evolution's most outstanding terrestrial ecosystems. REDD provides a unique opportunity for placing a sufficiently high value on intact rainforest ecosystems so as to beget a multitude of actions for their conservation. In this regard the challenge is to develop policies, methodologies and regulations that will facilitate the considerable financial transfers required to support these actions while simultaneously achieving other desired outcomes, notably sustainable economic development and nature conservation, the defining elements that make up REDD-Plus.

REDD is particularly difficult territory to navigate and thus far much of the path-finding work has been undertaken outside the UNFCCC, in the voluntary market, and through REDD capacity-building initiatives such as the UN-REDD programme, the World Bank Forest Carbon Partnership, and by countries such as Norway (support of Brazil's Amazon Fund) and Australia (REDD partnerships with Indonesia and Papua New Guinea). In the circumstances of 'catching up with the play' on REDD, the COP 15 sub-groups working on policy and methodological agreements made significant progress.

The ad hoc working group on cooperative action (AWG-LCA) drafted a policy agreement that provided for REDD-Plus mitigation actions (and various non-REDD initiatives) to be funded under a proposed climate facility. The draft reached the final stages of preparation with minimal unresolved (bracketed) text; however, its completion was thwarted in Copenhagen's final chaotic days. The AWG-LCA draft prepared the ground rules for financing REDD-Plus from developed countries, and between the lines appears to have left room for private funding. Unfortunately, detail on 'who is to pay, how much, when and how' was not mapped out, and seems still a long way from being resolved.

A text on REDD-Plus methodologies

was agreed upon by the Subsidiary Body for Scientific and Technical Advice (SBSTA) and subsequently adopted by the COP. Its key decisions included recommending that historical emissions provide the baselines for REDD with adjustment for national circumstances, and recognition of the need for full and effective engagement with indigenous peoples. The issue of accounting at a national or sub-national (project-based) level was covered by providing for establishment of 'robust and transparent

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national forest monitoring systems, and if appropriate, sub-national systems as part of national monitoring systems'.

The sub-text on inclusion of sub-national systems 'if appropriate' is prescient of how project-based REDD initiatives might be provided for. Private sector interests have the potential to deliver massive funding for REDD, and to deliver innovative designs in pursuit of the very real potential for large-scale and low-cost generation of REDD project offsets, albeit with all

the social responsibility, sustainable development and conservation goals included. The arbitrage opportunity for profit between generation cost and on-sale value in carbon markets, and the level of regulatory surety (de-risking) will determine the scale of private sector financing and engagement. Developing countries hosting REDD national fund-based programme can be expected to charge fees or levies on their carbon exports. The alternative (of private project-based approaches) risks transfer pricing scams that would dwarf those that have long shamed the tropical timber trade, whereby very little of the value of the rainforest product, in this case carbon offsets, remains in the country of origin, the greater part ending up in offshore accounts in tax-efficient jurisdictions.

Developing countries have become highly sensitised to economic neo-colonialism, whereby their remaining rainforest assets risk being permanently locked up under REDD conservation agreements – effectively a loss of sovereignty – while the wealth generated from REDD offsets is realised elsewhere. Hence the emergence of the 'national funds' approach, championed by Brazil with its Amazon Fund.

In the absence of a Kyoto successor agreement, the sub-group agreements on REDD will remain stranded and largely ineffective. It is possible that the UNFCCC process has reached an impasse that cannot be breached, at least in the urgent time-span required to reign in GHG levels. Copenhagen forcefully demonstrated a 'new play' at the table of climate change politics, and while 120 heads of state equivocated under the UNFCCC process, former outsiders, the US and four major developing countries (China, India, Brazil and South Africa) by-passed the old Kyoto club nations and delivered the Copenhagen Accord 'fait accompli'.

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countries over 2010–2012, increasing to US\$100 billion per annum by 2020, to help them reduce emissions and adapt. REDD funding is provided for within this financial commitment.

REDD was also strongly endorsed in the accord text:

We recognize the crucial role of reducing emissions from deforestation and forest degradation and the need to enhance removals of greenhouse gas emissions by forests and agree on the need to provide positive incentives to such actions through the immediate establishment of a mechanism including REDD-plus to enable the mobilization of resources from developed countries.

The accord (unlike the SBSTA text) gives explicit recognition of the need for GHG removals by forests, making room for inclusion of afforestation and reforestation (A/R) sequestration alongside REDD. This is critically important because demand for fuel wood and timber is a major driver of deforestation, and in the absence of supply-substitution from A/R programmes developing countries have no hope of achieving forest conservation through ‘stand alone’ REDD programmes. It is instructive that New Zealand was only able to implement sustainable harvesting of indigenous forest with the passage of the Forests Amendment Act 1993, and finally choke-off native forest harvesting. This was only possible because by this time a growing surplus of wood from our planted forests rendered native timber economically insignificant.

With the Copenhagen Accord the US has taken on the mantle of global (co)-leadership on climate change, potentially sidestepping (and knee-capping) the UNFCCC process. The US’s focus is very much on what it can achieve domestically, then ‘internationalising’ those actions. However, it remains to be seen whether the US can sustain a leadership role, given the swing against the Democrats ahead of the mid-term elections in late 2010, and the now very real risk that the Kerry-Boxer Bill containing the proposed US cap-and-

trade system may not be supported in the Senate. It is notable that the US cap-and-trade design provides for up to a billion offsets per annum to be sourced offshore, a clear preparation for massive inflows of low-cost REDD credits. This would serve to reduce the entry cost of a US cap-and-trade system and help appease major emitter industries. The ability to harness REDD has therefore become critical to

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the US aspirations to introduce a cap-and-trade scheme. Interestingly, the Kerry-Boxer Bill provides for a country fund approach to REDD financing and explicitly excludes direct project-based approaches.

The US’s suitability for leadership is also undermined by it having the lowest 2020 emission target (and second highest per capita emissions levels) amongst the developed economies.

Notwithstanding the difficulties ahead for reaching an effective global agreement on climate change, under either the UNFCCC or some grouping of the world’s leading economies, REDD has clearly become accepted as a key

mitigation strategy. In the absence of a global agreement, it is almost certain that REDD will be part of bilateral or regional initiatives. While international negotiations continue, REDD capacity-building initiatives will continue in concert, as will REDD’s involvement in voluntary markets. By the time post-Kyoto compliance markets are activated, either under a new international agreement or alternatively by way of domestic cap and trade regimes in the US and Europe, REDD programmes in the major rainforest countries should be ready to contribute.

New Zealand is already contributing globally to REDD by virtue of its log and wood product exports. These and other managed forest wood supplies substitute for wood that otherwise would have to be sourced from the world’s primary forests. At this time there is no price recognition for this; however, opportunities could arise in the future, with developing countries linking their REDD programme with wood imports to specifically address leakage issues.

The New Zealand government should be preparing the ground for bilateral and regional agreements to enable REDD units to enter the New Zealand ETS, thereby providing New Zealand emitters with access to offsets in the lower-cost range, whilst supporting constructive outcomes in developing countries with respect to their indigenous people, sustainable economic development and rainforest conservation.

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