



# Reducing Emissions from Deforestation in Developing Countries

Bridging Sustainable Development and Climate Change

**UN Commission on Sustainable Development  
Partnerships Fair**

May 9, 2006

***'Environmentally Sustainable Economic Growth'***

[www.RainforestCoalition.org](http://www.RainforestCoalition.org)

# Overview

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- About
- Sustainable Development & Deforestation
- Future Questions: UNFCCC & the Kyoto Protocol
- COP-11 Agenda #6: Submission of Views
- Next Steps



# Rainforest Coalition

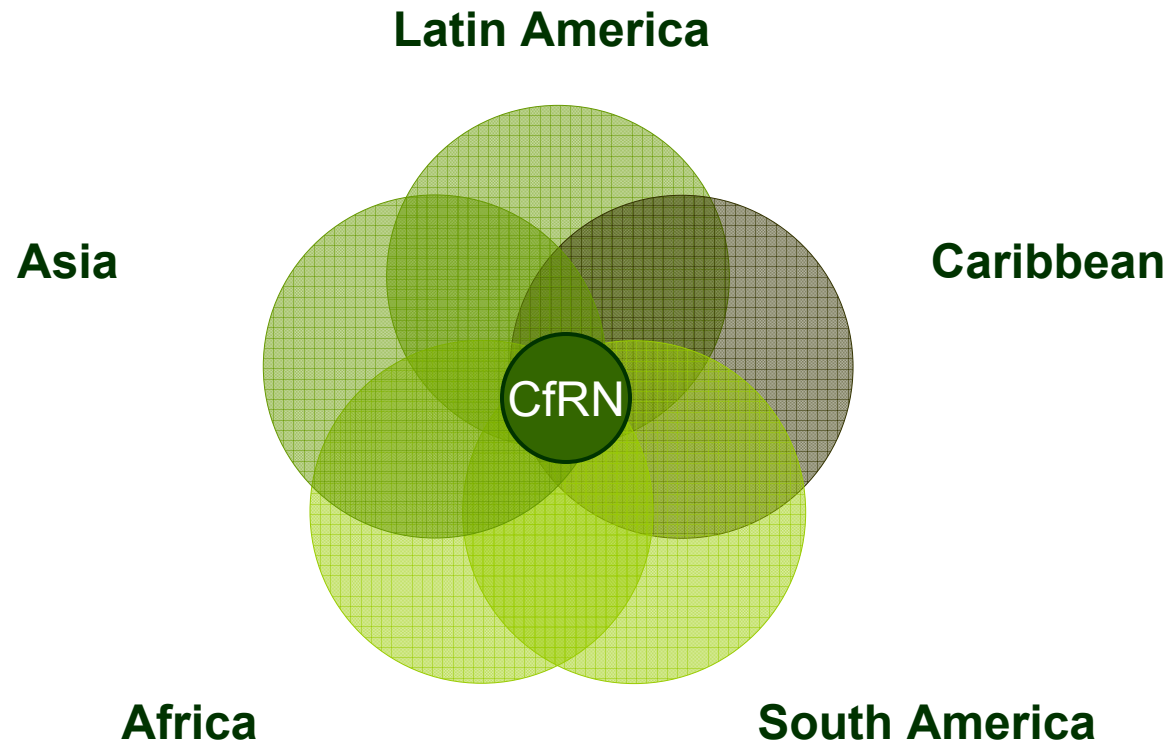


- Bolivia
- Central African Rep.
- Chile
- Congo
- Costa Rica
- DR Congo
- Dominican Republic
- Fiji
- Gabon
- Guatemala
- Nicaragua
- Panama
- Papua New Guinea
- Solomon Islands
- Vanuatu





# Rainforest Coalition



**Interregional Policy Development & Consensus**

# Rainforest Coalition



- Who: Developing Nation with rainforests – partnering with Industrialized Nations that support fair trade and improved market access for developing nations.
- What: Facilitate new and improved revenue streams in order to underpin community-driven environmentally sustainable economic growth.
- How: Reform international regulatory, trade and economic frameworks to effectively align market incentives with sustainable outcomes.

Environmentally Sustainable  
Economic Growth



# Deforestation



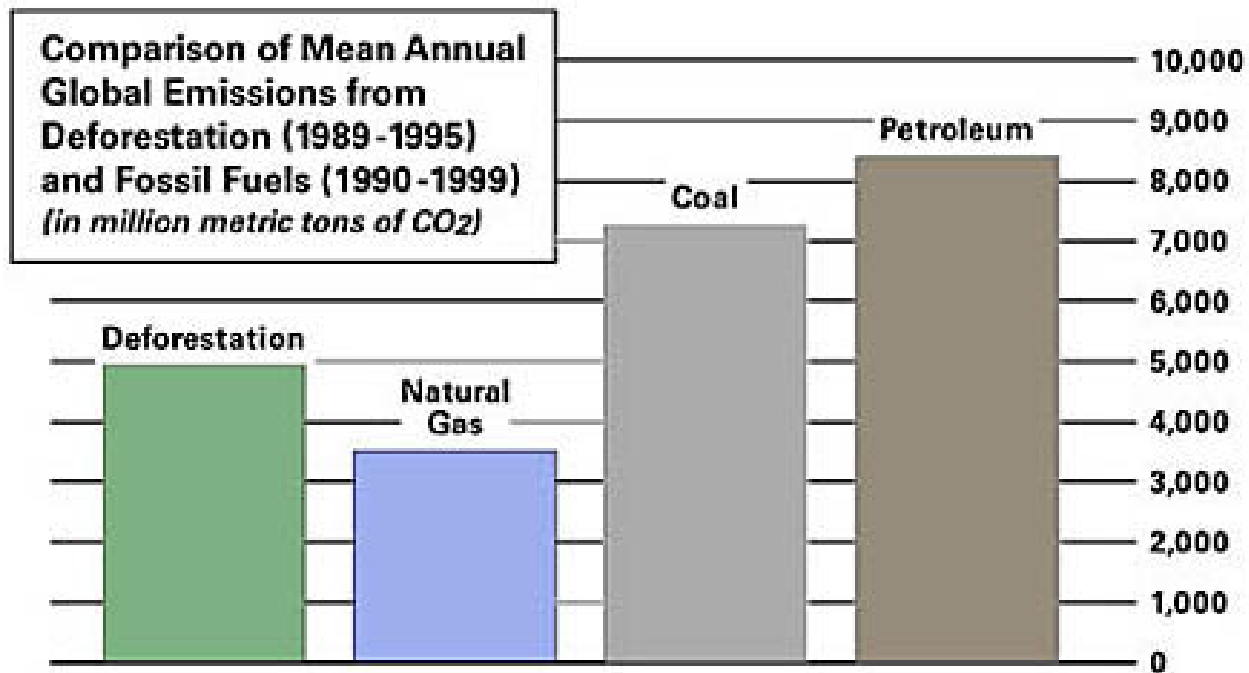
- Agriculture: Soya, Coffee, Cocoa, Sugar → **Low Value**
- Logging: Export vs. Imports vs. Value Add → **\$70/\$700/\$2300**
- Development: Roads, Hydro-Electric Power, etc.
- Population: Urbanization + growth drives above.

Perverse Incentives!  
**UNSUSTAINABLE**





# Emission Sources



Source: IPCC; US Department of Energy

# Limiting Climate Change



- Temperature Change: Limit global average temperatures from rising 2° C above pre-industrial levels.
- This probably requires:
  - Stabilizing CO<sub>2</sub> concentrations at or below 480 p.p.m.
  - Reducing industrialized country emissions 80% below 2000 levels by 2050.

Developing Nations!



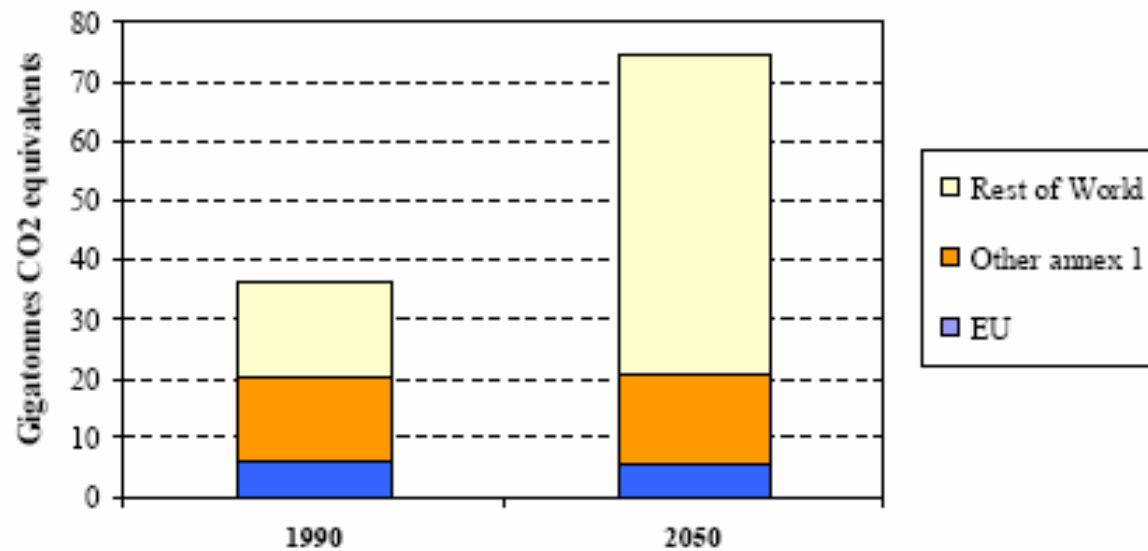




# Developing Nations



Figure 1: Projected development of greenhouse gas emissions in different regions of the world



Source: Greenhouse gas reduction pathways in the UNFCCC process up to 2025, CNRS/LEPII-EPE, RIVM/MNP, ICCS-NTUA, CES-KUL (2003).

# Questions for the Future: Party Roles



## 'Common but Differentiated Responsibilities'

- Industrial vs. Developing: Maintain philosophy of mandatory reductions for Annex 1 & 'voluntary' instruments to integrate emissions reductions in developing nations.
- Amongst Developing: Immense difference between developing countries. Need flexible 'basket' of voluntary emissions reduction instruments – in present form, CDM alone is insufficient.

**Developmental Finance**  
**Flexible Incentives**

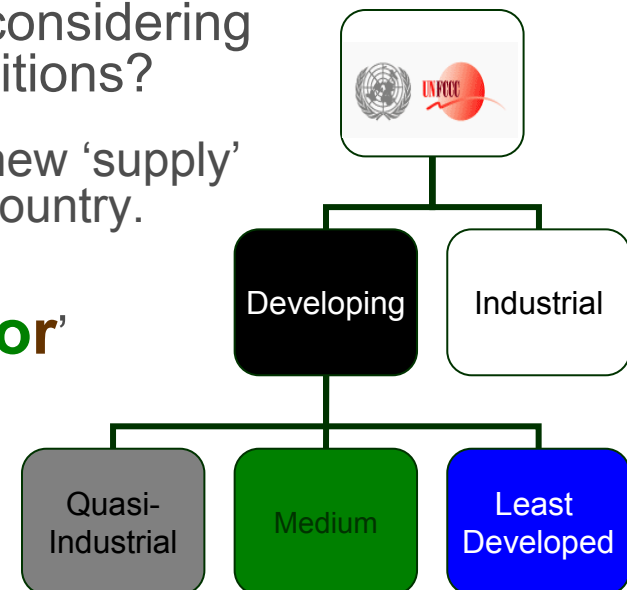


# Questions for the Future: Expansion of Annexes



- Annex vs. Non-Annex: Likely not sustainable if global climate stability targets are to be achieved – consider projected emissions growth in certain non-Annex countries.
- Multi-Staged Expansion of Annexes: *KP Designed for integrative Flexibility*: Should we consider staged expansion of Annexes, considering economic, governmental and social conditions?
  - Balance mandatory ‘reductions’ against new ‘supply’ -- possible to integrate by sector and/or country.

‘Black & White’ → ‘Full Color’



# COP-11 Agenda #6: Summary



- Deforestation: Real Threat to Climate Stability
- Emissions: Resulting Emissions are Significant
- Policy & Incentives: Seek flexible basket of 'voluntary' instruments to accommodate national situations. Market forces drive most deforestation and Emissions Markets may hold key to solution.
- Process: Parties refer to SBSTA with goal to reach recommendations by 2007



# COP-11 Agenda #6: Positive Incentives



## Flexible Basket of Voluntary Incentives

- Official Development Assistance (ODA)
- Sectoral CDM with 'Target Corridor'
- National Cap. & Trade by Sector (Voluntary Annex C)
- Bilateral and/or Multilateral Trading Agreements
- Optional Protocol within UNFCCC

**Voluntary**  
**Multi-Staged**  
**Not Mutually Exclusive**  
**National and/or Regional**



# COP-11 Agenda #6: Positive Incentives



## Official Development Aid Approach

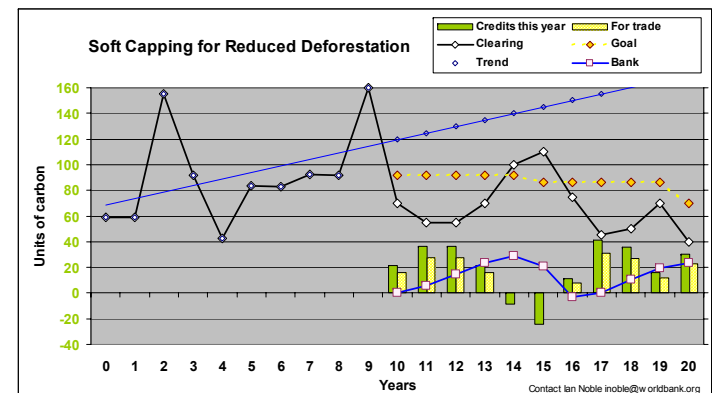
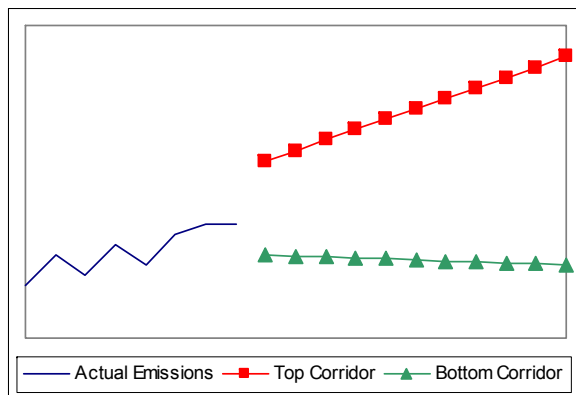
- Supplemental Funds for Capacity Development
- Special Climate Change Fund & GEF
- Up-front funds - debt for nature, revolving funds...
- Public-Private Partnerships
- Tax on carbon-intensive commodities
- Prioritize Actions under Adaptation Fund



# COP-11 Agenda #6: Positive Incentives



- National or Regional “Sectoral CDM” Approach: A national /regional (deforestation/emissions) baseline is established below which developing countries generate emissions reduction credits.
  - Countries participate in a credit-based trading system where ERCs produced ex-post.
  - “No Regrets” Targets Using “Target Corridor” for national baseline.
- Voluntary National Cap-and-Trade Approach: Developing countries could participate in a “Voluntary Annex C” for deforestation. Voluntarily adopt a national target for forestry sector.
  - Fully fungible with AAU/EUA emissions allowances (JI as precedent.)
  - Credit could for activities in advance of the 2<sup>nd</sup> Commitment Period.
  - Require ‘banking’ mechanism to address permanence.



# COP-11 Agenda #6: Positive Incentives



- Bilateral or Multilateral Agreements: Emissions reduction efforts from deforestation in developing countries linked to regional and national emissions reduction markets -- US states, ETS, etc.
- Optional Protocol: Bilateral and/or multilateral agreements could be aggregated to a new “Optional Protocol” under the UNFCCC. Credits would be fungible.

Not serious about deforestation,  
are we really serious about  
climate change!





# COP-11 Agenda #6: Technical & Methods



- Scale: Meaningful actions to curb emissions will require efforts at scale. Need for flexibility of options for developing countries.
- Baselines: Reference scenarios must take into account historical trends and regional/national circumstances. Should not disadvantage countries having taken early action.
- Leakage: National approach key to addressing project based leakage. 'International leakage' must be applied fairly.
- Permanence: Many instruments possible: temporary credits, banking, commercial insurance.
- Monitoring & Reporting: Remote sensing an important tool. Must balance accuracy against cost.
- Definitions: Consider increasing participation by review of definitions to support broader range of activities – selective logging, degradation, etc.

# What Next?



- CfRN Pre-SBSTA Meeting (May 14)
  - Coordinate Positions and Strategy
- SBSTA #24 (May 18 - 26)
  - Recommendations for 'Further Process'
  - 'Terms of Reference' for Workshops
- Workshop I (Aug. 30 – Sept. 1)
  - Focus: Policy Approaches & Positive Incentives
- COP-12 / COP-MOP-2
  - Finalize 'Policy Approaches & Positive Incentives'
  - Progress Update to COP-12
  - Refer to SBI to consider implementation issues
- Workshop II (est. Spring 2007)
  - Focus: Technical & Methodological Issues
- SBSTA & SBI #26 (est. May 2007)
  - Finalize integration of Policy, Incentives, Tech & Methods
- Workshop III (est. Fall 2007)
  - Draft Recommendations for COP-13 / COP-MOP-3
- COP-13 / COP-MOP-3

