

REDD Negotiations: Progress, Challenges and Ways Forward

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KEY MESSAGES

For developing Asian countries

- Explore piloting in different forest categories under different forms of management facing different drivers of deforestation and forest degradation, and at different scales, to maximise learning.
- Establish a regional forum to share lessons and experiences on national Reducing Emissions from Deforestation in Developing Countries (REDD) preparations and pilots.
- Explore how flexible and transitional approaches could accommodate the interests and concerns of your country, while providing opportunities for other Parties to participate fully in REDD and maximising the potential of REDD to contribute to climate change mitigation.

For climate negotiators and the United Nations Framework Convention on Climate Change (UNFCCC)

- Provide fora for focused discussion on the three key issues raised in this paper – scope, level of implementation, funding – to facilitate decisions on these issues.
- Organise workshops with the intergovernmental forest organisations – United Nations Forum on Forests (UNFF), Food and Agriculture Organization of the United Nations (FAO), International Tropical Timber Organisation (ITTO) – and other key stakeholders with the objectives of clarifying the roles of each organisation, to avoid duplication of effort and to maximise synergies with respect to forests and climate.
- Pay greater attention to designing an international REDD mechanism that requires informed multi-stakeholder participation in the development and implementation of national and local REDD strategies.

1. Progress

CO₂ emissions from deforestation and forest degradation account for more than 18% of global emissions (Stern 2006). In part, demand from developed countries for timber and commercial products such as soya, beef, pulp wood and palm oil has driven this deforestation. Markets have failed to capture the broader social value of forests, such as their contribution to climate modification and stabilisation. To achieve the ob-

jective of the UNFCCC of stabilising greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, it is crucial that incentives for REDD are built into a post-2012 climate regime.

Progress under UNFCCC

REDD was introduced into processes under the UNFCCC by

**This brief reflects the views of participants at the IGES consultations on the post - 2012 climate regime.*

Table 1: Progress on climate forestry and REDD

Date	Event
2001	- Marrakech Accords specify the rules of meeting the Kyoto Protocol emission targets for the first commitment period allowing for afforestation and reforestation on land that was not forested in 1990
2003	- Decision 19/CP.9: Clean Development Mechanism (CDM) modalities and procedures for afforestation and reforestation activities in the first commitment period
2004	- Decision 14/CP.10: CDM Modalities and simplified procedures for small-scale forest projects
2005	REDD introduced into UNFCCC discussions; two year process launched at COP11
Sept. 2006	- Subsidiary Body for Scientific and Technological Advice (SBSTA) 24: 21 REDD submissions - SBSTA REDD Workshop, Rome
March 2007	- SBSTA REDD Workshop, Cairns
Dec. 2007	- Inclusion of REDD in Bali Action Plan - COP13 REDD Decision - SBSTA 27: 10 REDD submissions - World Bank's Forest Carbon Partnership Facility launched
June 2008	- SBSTA 28: 17 REDD submissions
June 2008	- SBSTA Workshop on REDD methodologies, Tokyo
Aug. 2008	- Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) 3rd session: 12 presentations by Parties
Sept. 2008	- UN-REDD launched

the Conference of the Parties (COP) at its eleventh meeting in Nov./Dec. 2005. Thereafter, Parties and accredited Non-Governmental Organisations (NGOs) participated enthusiastically in a two-year process that included a large number of submissions and two international workshops, and culminated in the inclusion of REDD in the Bali Action Plan and the COP13 decision on "Reducing emissions from deforestation in developing countries: approaches to stimulate action".

The Bali Action Plan aims at an agreed outcome and the adoption of a decision at COP15 to enable the full, effective and sustained implementation of the Convention through long-term cooperative action. This decision is to include consideration of policy approaches and positive incentives on issues relating to REDD and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries. The COP 13 Decision on "Reducing emissions from deforestation in developing countries: approaches to stimulate action" encouraged UNFCCC Parties to build capacities for i) data collection, ii) emissions estimations and monitoring and iii) to undertake demonstration activities to enhance forest carbon stocks.

Since COP13 UNFCCC work on REDD has progressed under two streams. The AWG-LCA is working on policy approaches and positive incentives on issues relating to REDD, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries. The SBSTA has been tasked with work on outstanding methodological issues and is

expected to report on outcomes, including any recommendations on possible methodological approaches, at COP14.

Progress outside UNFCCC

Outside of the negotiations numerous REDD-related activities are underway including national preparations and piloting at the project level, as encouraged by the COP13 REDD decision, as well as project development under private initiatives. In June 2008, nine industrialised countries committed US\$ 82 million through the World Bank's Forest Carbon Partnership Facility to assist 14 countries (in Asia – Viet Nam, Nepal, Lao PDR) to test and implement initial pilot REDD mechanisms. Norway pledged US\$ 35 million to The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD), a coordinated UN response, and Australia committed AU\$ 200 million through its Global Initiative on Forests and Climate to combat deforestation and its impact on climate change.

2. Outstanding issues

Many outstanding issues remain and reflect the fact that REDD requires both a political solution and one that satisfies science. While several negotiating groups have emerged (e.g. the Coalition for Rainforest Nations with over 40 members, several of which are Asian countries),

Table 2: Forest estates and trends of selected Asian countries

Country	% of land area of forest and other wooded land, 2005	Net annual % change in forest area, 2000-2005	Annual change in extent of primary forest (ha), 2000-2005	Annual change in extent of forest plantations (ha), 2000-2005
China	21.2	+2.2	0	+1,489,000
Viet Nam	39.7	+2.0	-20,400	+129,000
Indonesia	48.8	-1.4	-1,447,800	+79,400
Lao PDR	69.9	-0.5	0	+25,000
Myanmar	49	-2.0	-	+30,600
India	22.8	-	-	+84,200
Nepal	25.4	-1.4	-7,000	+200
Malaysia	63.6	-0.7	0	-17,200
Cambodia	59.2	-2.0	-26,800	-2,600
Papua New Guinea	65	-0.5	-250,200	+1,980

Source: FAO (2006).

countries in Asia do not share a common position on REDD. The formation of a regional negotiating group in Asia is unlikely in the short-term because their different positions reflect their vastly different forest estates and trends in forest cover change and composition (Table 2), as well as their different capacities, data sets and resources. Consensus only seems likely if flexibility is built into the future REDD mechanism.

The outstanding issues include: scope (deforestation, forest degradation, conservation, forest management, increases in forest cover); funding; carbon rights and benefit sharing; scale (national and sub-national approaches); estimation and monitoring; reference emissions levels; displacement of emissions; capacity-building; effectiveness of actions; definitions; and methods to verify estimates. Agreement on the following three key issues is proving particularly difficult:

1. Scope: Should REDD include forest degradation, conservation, forest management and increases in forest cover, in addition to deforestation?
2. Level of implementation: Should REDD be a national or project approach or allow for both?
3. Funding: Should markets contribute to financing REDD?

2.1. Should REDD include forest degradation, conservation, forest management and increases in forest cover, in addition to deforestation?

When REDD was first proposed by Papua New Guinea

and Costa Rica at COP11 in 2005, the concept was directed towards the avoidance of deforestation. As discussions progressed, forest degradation, conservation and enhancing carbon stocks through the sustainable management of forests were brought onto the negotiating table. Defining the scope of REDD is important as various studies have indicated that carbon emissions from deforestation and forest degradation, as well as potential gains from forest rehabilitation, are all important for global climate stability.

Degradation

While not defined by the Kyoto Protocol, forest degradation can be viewed as a long term reduction in biomass density. Degradation is a particularly critical process in Asia, where natural production forests are often highly degraded because of weak forest law enforcement, resulting in over-harvesting and felling in ecologically sensitive areas, such as on steep slopes or near water channels.¹ Logging roads open up previously inaccessible forests to settlers and small-scale informal timber milling, which often results in complete land cover change. That forests are degraded after logging has become an argument of developers in Papua New Guinea and Indonesia for forest clearance to establish oil palm plantations.

Selected views on including degradation under REDD

Include	Not include
Papua New Guinea, Solomon Islands, Thailand, Vanuatu, Viet Nam, Indonesia, Malaysia, COMIFAC ²	Brazil

Degradation also leaves forests more vulnerable to fires, invasive species and pests.

A problem of current Kyoto Protocol definitions is that replacement of natural forests with planted forests is not considered deforestation. Recognition of forest degradation could capture this change in land cover and would remove the perverse incentive of REDD for countries to degrade their forests to just under the deforestation threshold. However, the measurement of forest degradation poses difficult challenges and has received considerable attention within the SBSTA. Further work on monitoring and measurement methodologies, particularly on the use of radar which can penetrate beneath the forest canopy, and on the building of data sets is clearly required. Despite these challenges, because of its contribution to emissions and as a process that often leads to deforestation, forest degradation should be included in REDD, allowing for measurement and monitoring methodologies to develop and strengthen over time.

Conservation, sustainable forest management and increases in forest cover

India has proposed the concept of compensated conservation which argues that countries should be compensated for maintaining and increasing their forest cover as a result of their existing forest conservation policies and measures. This notion has received support from China and Papua New Guinea. There is disagreement amongst Parties as to whether under such an all-in approach deforestation and forest degradation should be prioritised or treated equally with conservation, forest management and enhancement of carbon sinks (AWG-LCA 3rd session, 21-27 Aug. 2008). ASEAN supports an all-in approach under which policy approaches are left open for mitigation activities (deforestation, forest degradation, sustainable forest management, conservation, sink enhancement) depending on the capacity and the circumstances of the countries (ASEAN 2008).

The proposal to include conservation, forest management and increases in forest cover under REDD is attractive as it would provide a complete instrument for valuing the contribution of forests to climate mitigation and stabilisation. Fig 1. depicts a theory of forest cover tran-

sition. It describes a sequence where a forested region goes through four stages: (1) initially high forest cover and low deforestation, (2) accelerating and high deforestation, (3) slow-down of deforestation and forest cover stabilisation, and (4) a period of reforestation. The theory does not describe the Asian experience well, as the attempt to map countries on to the forest transition curve in Fig. 1 shows. Nevertheless, the figure is instructive as it indicates that restricting REDD to deforestation and forest degradation would mostly result in deforestation avoidance in countries at stage 2. It would provide little incentive for countries with high deforestation cover and low deforestation rates to maintain their forest cover, nor would it encourage countries at other stages to move towards high rates of stable forest cover.

The way forward

The UNFCCC is not the place to solve all forest problems. One option is to restrict REDD to deforestation and forest degradation and to engage the organisations traditionally responsible for global action on forests and international financial institutions such as the World Bank to build capacities and channel resources for forest conservation, rehabilitation and forest management.

Including forest conservation and forest management in REDD provides a more complete framework to value the contribution of forests to climate mitigation. However, proponents of “compensated conservation” are asking to be rewarded through REDD for their existing policies; hence, limited global funds would be spent on actions that would have occurred without those funds. Irrespec-

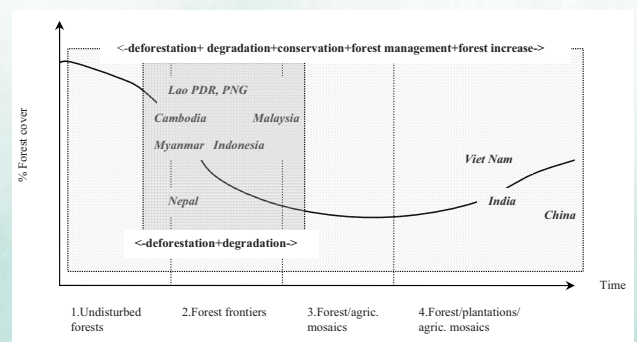


Fig 1. Forest transition curve

tive of the scope of REDD, investment is likely to be directed towards deforestation in the tropics, where the mitigation potential is the highest.

2.2. Should REDD be a national or project approach or allow for both?

The level of approach will have implications for data, measurement, monitoring and verification, as well as capacity, finance and institutions. Under a national approach governments would be rewarded for reducing emissions below their target reference scenarios. Under a project approach in a similar manner to the CDM the project proponent rather than the government would be rewarded for actions to reduce emissions. The level of approach that REDD allows for is important as it will influence which countries can participate and what types of actions to reduce emissions could be rewarded.

National approach

The main argument for a national approach is that it would reduce, though not entirely eliminate, the displacement of emissions. It also has the advantage of reducing transaction costs in establishing baselines, monitoring forest cover change and verification. While negotiations have highlighted the issue of displacement, that a national approach allows for action beyond the project level is perhaps of even greater significance. Participants in IGES consultations stressed that sustainable forest management in the tropics requires more than projects; it requires governance, tenure and policy reform and improved resource allocation and capacity at the national level and beyond.

Project-based approach

Nevertheless, a project-based approach remains attrac-

Level of approach preferred

Colombia	Project
Brazil	National
Paraguay, Argentina, Honduras, Panama, Peru, Indonesia, Malaysia, Coalition for Rainforest Nations	Nested approach; national approach allowing subnational/project implementation

tive because countries with the highest rates of deforestation often have poor data sets for establishing baselines and suffer from weak governance. Of the ten countries with the highest rates of deforestation, only three have data sets for two years, which is the minimum required to estimate emissions trends (Karousakis and Corfee-Morlot 2007). Piloting offers such countries an important opportunity for learning and building capacities while exploring options for a suitable national preparation strategy.

The IGES consultations discussed Indonesia's notion of a national approach with implementation flexibility to reflect national circumstances. For its REDD preparations Indonesia is employing a national approach with sub-national implementation, reflecting its decentralised forest management. Preparations for national REDD systems are also underway in India and in Papua New Guinea, which envisions a readiness phase, an early action phase consisting of pilots and a third phase to inform the international negotiations. During the consultations Papua New Guinea stressed the need for all-of-government and multi-sectoral approaches. In contrast, Cambodia has opted to focus on piloting using community-based forest management.

The way forward

Bridging of these different positions could be found in a flexible instrument that allows for transitional approaches that aim for national level REDD. A nested approach (Fig. 2) that allows carbon credits to be generated through project-level activity during a specified transition period before a country has implemented national accounting and monitoring systems is one solution. Although the potential for displacement in tropical countries is high, testing for whether displacement could be effectively monitored and dealt with on a project basis may be fruitful. The Noell Kempf Climate Action Project in Bolivia was used during IGES consultations to illustrate how displacement could be dealt with at the project level. The IGES consultations also noted that it was necessary to move beyond piloting and to begin testing at the national level at least in one country. An international fund open for bidding could provide the necessary finance.

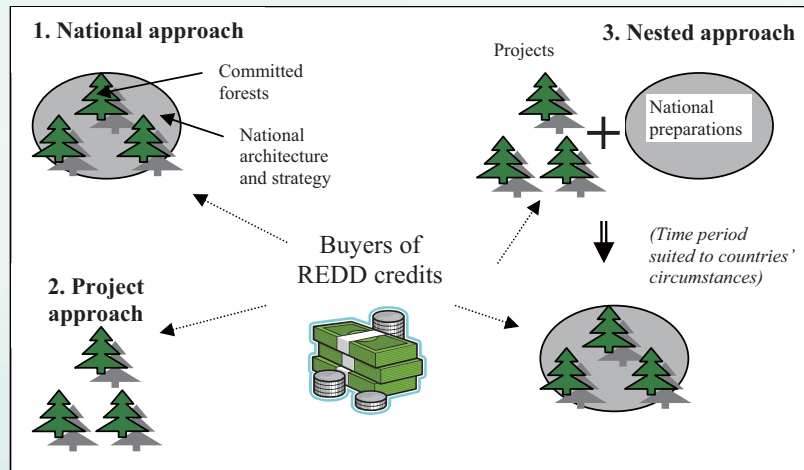


Fig. 2: Nested, national and sub-national approaches

2.3. Should markets contribute to financing REDD?

Parties are still far from agreement on whether REDD should be financed through markets as well as funds. The decision of whether to credit emissions reductions generated by REDD is important because it will have a large impact on the volume of finance generated and could impact on the integrity of emissions trading under the Kyoto Protocol.

Non-market based approaches

The term "fund" refers to a pool of finance that is made available to developing countries prepared to commit forests to REDD. Various windows for this type of funding can already be found such as the World Bank's BioCarbon Fund which is designed to finance projects that sequester or conserve carbon in forest and agro-ecosystems.

Funds vs. Funds and Markets approaches: Selected positions

	Funds	Markets
Brazil	Voluntary RED fund	against
COMIFAC	Stabilisation Fund and Activation Fund	for
Coalition for Rainforest Nations	Stabilisation Fund and Enabling Fund	for
Paraguay, Mexico, Honduras, Panama, Peru, Chile	Multilateral Fund -Avoided Deforestation Carbon Fund -Enabling Fund	for
Tuvalu	Community Forest Retention Trust Accounts	against
India	Compensated Conservation	for

Funds are clearly required to build the capacities of participating countries and, to establish national REDD systems (administration and enforcement costs), and further upfront financing is necessary to manage the transition. Funds could also be performance based and transferred to developing countries according to their performance in meeting voluntary emissions reductions targets from the forest sector, as proposed by Brazil.

Parties that argue for a funds-only or non-market based approach have suggested various sources of funding including (i) official development assistance and voluntary contributions from governments and NGOs; (ii) private sector sponsorship/donations; (iii) potential new and additional financial resources under the UNFCCC; (iv) funds created under the Kyoto Protocol (e.g. the Special Climate Change Fund and the Adaptation Fund) and the Trust Fund of the Global Environment Facility; and (v) taxes on carbon-intensive commodities and services. However, the Eliasch Review estimates that the finance needed to halve emissions from forests by 2030 is about US\$17-33 billion/year (Eliasch 2008) and a non-market based approach is unlikely to provide this level of funding. The current financial crisis in the US and elsewhere will severely limit the amount of REDD finance that can be generated from non-market sources.

Combining funds and markets

In Asia, members of the Coalition for Rainforest Nations,

Malaysia and Indonesia recognise the need for a mixed basket of non-market and performance based market generated finance. India has recently shifted its position and now too foresees a role for REDD markets. Brazil and Tuvalu have argued against a market mechanism.

Proponents of fund-only approaches have expressed concerns about “flooding”, permanence, disincentives for emissions reductions in industrialised countries and other sectors, and estimate uncertainties. However, none of these issues are insurmountable.

- The IGES consultations noted that the fear of cheap, fungible REDD credits flooding the carbon market is overstated as experience is showing that establishing both national and project level REDD is expensive and time consuming. The same fear was expressed during discussions on whether the CDM should recognise afforestation and reforestation, but with only one registered Afforestation and Reforestation CDM (A/R CDM) project at the beginning of 2008 proved to be unfounded.
- Permanence would need attention, but equally applies to other sectors and could be dealt with by banking a proportion of the credits generated and making countries liable in future periods for emissions above their reference scenarios.
- The concern that REDD should not offset the emission reductions targets of industrialised countries could be dealt with by establishing much deeper targets, which are essential. The Eliasch Review concluded that, if stringent emissions targets and higher complementarity

limits are set for Annex 1 countries, inclusion of the forest sector in the European Union (EU) Emissions Trading System should have little or no impact on the EU carbon market price (Eliasch 2008).

The way forward

One way forward on this issue is to explore options for a transitional approach, which would begin with funds and progress to a dual markets approach, with one market for REDD and another for all other sectors, and finally to a fully fungible carbon market when the accuracy of emissions estimates is satisfactory (Fig. 3).

2.4. A word on forest governance

Forest governance has received less attention in the negotiations than issues such as scope, level of funding, and implementation. Yet, forest governance is critical to improving the management and use of forest resources. Where governance is weak, deforestation and forest degradation are driven by influential individuals and groups who have the power to interfere with the proper enforcement of the forest law. Conversely, local communities may be denied opportunities to participate meaningfully in forest management. With insecure tenure, they have little interest in the long-term management of forests and overharvest forest resources to meet their livelihood needs.

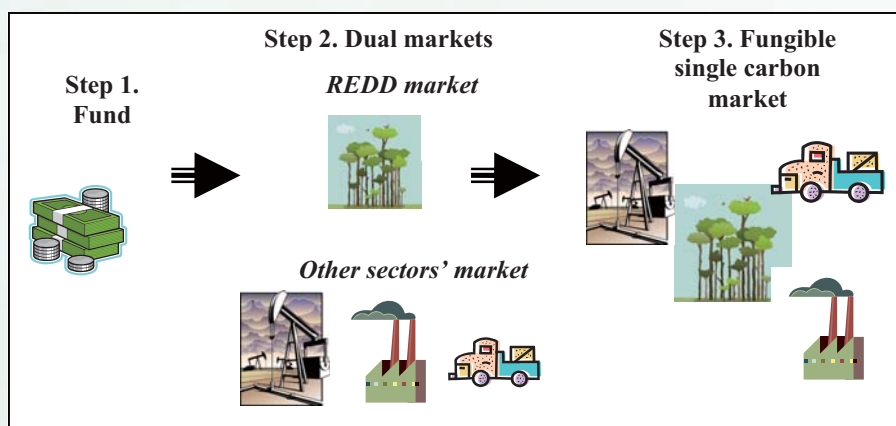


Fig. 3: Transitional approach to financing REDD

REDD could either strengthen forest governance or further entrench inequitable governance structures. Greater attention of negotiators to designing an international REDD mechanism that requires informed multi-stakeholder participation in the development and implementation of national and local REDD strategies is required. As a means of improving forest governance, building ownership for REDD, and sharing benefits, local communities could be engaged to monitor forest borders and to contribute towards the measurement and monitoring of carbon stocks.

3. Conclusion

With different forests estates and trends in forest cover and composition, resources, capacity and data, while converging on a number of basic principles Asian countries do not have a shared negotiating position on REDD. Their differences could be accommodated through a broad, flexible and integrated mechanism that (i) includes deforestation, forest degradation, conservation and forest management, (ii) combines non-market and market finance, and (iii) aims for national REDD schemes for estimation, monitoring and reporting combined with subnational and project based implementation.

Regardless of its scope, flexibility will have to be built into the REDD mechanism to allow for data, methods, capacities and institutions to develop over time. Transitional approaches could be used to aim for the

development of national REDD systems and fully fungible carbon markets.

If REDD is to improve forest management, negotiators will have to consider how REDD can strengthen forest governance.

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- ¹ The ITTO estimates that only 15% of production forests in Asia-Pacific producer member countries are managed in a sustainable manner (ITTO 2006).
- ² The COMIFAC countries are Burundi, Cameroon, Congo, Gabon, Equatorial Guinea, Central African Republic, Democratic Republic of Congo, Rwanda, Sao Tome and Principe and Chad.

Acknowledgements: We are grateful for the financial support from the Global Environment Research Fund (H-064) of the Ministry of the Environment, Japan; reviewers Prof. H. Hamanaka, Mr. H. Mori, and Mr. T. Hiraishi; interns Mr. H. Sugano and Mr. Q. Su; and administrative assistance from Ms. A. Miyatsuka, Ms. Y. Itakura and Ms. I. Munekata.

Suggested citation: Henry Scheyvens* and Federico Lopez-Casero. 2008. REDD Negotiations: Progress, Challenges and Ways Forward. IGES Briefing Notes on the Post-2012 Climate Regime. Issue No. 5. Institute for Global Environmental Strategies, Hayama, Japan. pp 1-8.
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