

Preliminary Inputs from Norway to the Carbon Fund for Issue Papers 2 and 3

Issue paper 2: Reference levels (RL)

General comment:

- A review process should be established for RLs for the CF. A Technical Advisory Panel (TAP) could evaluate proposed RLs and make recommendations to the CF. The design of such a review process should be discussed.

Q1: Historical emission levels etc.

- We are generally leaning towards a standardized time period across ERPAs. The approach of the Amazon Fund, where the historical emission levels are analyzed for the last 10 years, and then updated every five years could be one option. However, some flexibility on the time period analyzed for the historical assessment could be given if justified due to differences in availability of e.g. appropriate satellite data, and some countries' ongoing work in preparing historic RLs. Provided that suitable data is available, analysis from at least three points in time should be conducted in order to assess deforestation in the historical period. The responsibility to justify any deviation from the agreed standard time frames (e.g. 10 years average, based on three measuring points) should rest with the program proponent.
- The REDD country should preferably have a national RL that any interim sub-national RL for the ER Program is 'nested' into (or a firm commitment to do so as the national one emerges). An analysis of how the proposed RL compares to the RL for a wider area and the rest of the country should be provided when proposing a sub-national RL, to avoid perverse incentives in sight selection. For interim sub-national RLs it is important that measures be taken to monitor and account for leakage effects to other areas. Any leakage could then be subtracted from carbon payments.

Q2: For sub-national programs, does another climate initiative use a promising approach to address the relationship to the national reference level?

- We are still reviewing this.

Q3: National circumstances

- Any adjustments to the historical emission levels should be justified with data, and with complete transparency on the data and methods that the proposed adjustment is based on. Assumptions on policy developments and economic modeling should be avoided. The reason for our discouragement of such approaches is due to difficulties in developing guidance, and the difficulties in developing effective review mechanisms for such approaches.
- The RLs should as far as possible be a data based technical exercise related to historical emission rates, while adjustments for national circumstances etc. is better treated in what is normally referred to as Crediting Levels (or sometimes "financial incentives baselines"). While both could potentially be 'adjusted' if justified, the adjustment for self-finance should occur in the CL.

Q4: Geospatial resolution

- Geospatial information should be required. If for any reason it is not *possible* to produce reliable geospatial data (e.g. no availability of remotely sensed data), exceptions could be done on a case by case basis if reliable data can be produced using other methods.

Q5: Updating RLs

- RLs should be updated to account for improved data from emerging MRV-systems, possibly addition of new pools and gases etc. A fixed time period seems advisable, e.g. every 5 years. However, given the short duration of ERPAs under the CF, this might not be meaningful. In any case, the subject should be further discussed, as this could be very relevant in relation to possible future contract extensions.

Q6: “Crediting level”

- “Crediting levels” should be developed. This would allow for taking domestic mitigation goals etc. into account. In addition, the separation of RLs and “crediting levels” makes it easier to tailor incentive structures to countries with very different historical and current forest situations (e.g. tailor incentive mechanisms also for HFLD countries). Note that the RL and “crediting level” *could* be the same, *if* the data and proposed incentive mechanisms suggest so.

Q7: Additionality

The concept of additionality should be covered by the crediting level, and no further discussion of additionality should be needed.

Issue paper 3: MRV design

General comments

- As a general rule, all significant sources (pools *and* gases) should be MRV'd. The exclusion of a pool or gas should only be based on documentation that demonstrates that the pool or gas in questions contribution to emissions is negligible, or that removing it would be a conservative measure. Some flexibility could be needed in early phases to allow for early action and to reflect what is normally referred to as a “stepwise approach” to MRV (i.e. when more information is available, more pools and gases are added).
- All pools and gases included in reference levels should be MRV'd.
- The measuring and reporting unit should be tons of CO₂ equivalents.
- The MF should be in line with guidance and guidelines from the UNFCCC, and should build on IPCC guidance and guidelines.

Q1: Accuracy

- The GHG data reported with basis in the MRV- systems for REDD+ should follow the IPCC reporting principles of *transparency, completeness, consistency, comparability* and *accuracy*. The latter principle, to our understanding, also implies that the *degree* of accuracy/uncertainty is assessed and reported.
- More important than to specify a certain uncertainty requirement, is to clarify what the uncertainties are, and to quantify the uncertainties associated with the different steps of analysis as far as possible. If reports are provided using highly uncertain numbers, or numbers where uncertainty cannot be well specified (e.g. IPCC default values), deduction of payments should result in accordance with the principle of conservativeness. When uncertainties are reduced over time, this will then lead to a smaller or no deduction in payments, thus providing

an incentive to reduce uncertainties in reported numbers. This is normally referred to as the “stepwise approach” in discussions under the UNFCCC and other fora.

Q2: Consistency with national system

- Consistency with emerging national monitoring systems should be pursued to the extent possible. This could imply using the same basic methodologies to the extent possible (e.g. combination of remote sensing and ground data, and using similar definitions, protocols etc. if these are available for the national system), and preferably being the responsibility of, or closely tied to, the same institution(s) as the one(s) in charge of the national REDD+ MRV system. In any case, transparency with regards to methods used is important, as this will maximize knowledge and experience transfer from CF programs to other REDD initiatives.

Q3: Cost-effectiveness, stepwise approach etc.

- Countries should have the opportunity to participate using a combination of remote sensing data and default/proxy emission factors. In combination with conservative payment calculations, this would ensure broad participation while ensuring environmental integrity.

Q4: Monitoring of non-carbon values

- See separate issue paper

Q5: Are there best practices for the potential involvement of local communities in the MRV system design and implementation?

- Experiences from ongoing community forest monitoring projects in the implementing country (and other countries) could inform the design process of the broader MRV system. This should be considered when MRV systems are developed.

Q6: Independent verification

- Independent and transparent verification is an essential part of the credibility of any incentive structure for emission reductions. An independent verification mechanism can also provide valuable input on the technical level on how the MRV system can be improved.
- Independent verification can be tailored to suit the different “steps” in stepwise MRV-system development.
- The verification process could be based on the review process where technical experts coordinated by the TAP or other third-party verifier as agreed in the ER Program/ERPA provide a technical report assessing the results reported. If major issues affecting the credibility of the results reported are identified, the implementer should be presented with requirements and/or recommendations for improvements. Needless to say, appropriate discounts should be made to payments for the questionable portion of the ERs or payments postponed until ERs are credibly verified. The reports should be publicly available.

Q7: Registries

- It is critical to ensure that no ERs are double-counted or transacted twice. We strongly encourage the development of national registries. The CF should discuss how this can best be done, and whether an external registry would be of help in the early years.

- National registries could be developed and improved in a stepwise manner in order to not slow the implementation of emission reducing efforts under the CF, while ensuring the credibility of the transacted ERs. Rigorous cross-checks with other REDD+ efforts should be conducted to avoid double counting.