Winrock International Comments on Carbon Fund Methodological Framework

Timothy Pearson, Nancy Harris, Sarah Walker and Sandra Brown

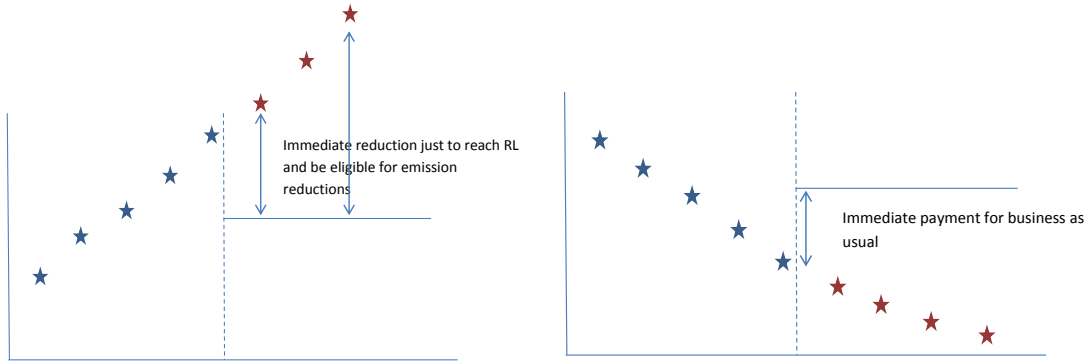
Winrock is a not for profit organization working internationally to empower the disadvantages, increase opportunities and sustain natural resources. Winrock are worldwide leaders in greenhouse gas accounting for forests and other land uses and experts in measurement, reporting and verification (MRV) and reference levels (RLs) for REDD+. Winrock has worked closely with the World Bank for almost ten years on biocarbon and with the FCPF over the last five years developing guidance and support on REDD+. Winrock is currently working internationally with funding from the World Bank and the Governments of Germany, the USA and Norway piloting REDD+ and developing methods and approaches.

Here we provide comments on the Methodological Framework for topics within our area of strong expertise:

1. Average versus Trend – Indicator 13.1

The methodological framework requires that "the Reference Level does not exceed the average annual emissions over the Reference Period" except where adjustment will occur.

If forced to set their RLs as historical averages, countries with rapidly rising emissions from deforestation may opt out of a REDD+ agreement because there would be little financial incentive provided by donor countries to achieve the deep emission cuts necessary just to maintain their historical averages, let alone decrease emissions below the averages as needed to trigger payments. In these cases, the opportunity costs would likely be too high for countries with lucrative agricultural markets (e.g., palm oil) to opt in to a REDD+ agreement (A). In contrast, countries that have already started to reduce emissions from deforestation during the historical period will opt in, as setting their RLs as historical averages will translate into automatic payments for the business as usual activities that are already occurring (B). Indicator 13.4 emphasizes this point as it states that for countries where a downward trend in emissions exists, it is only *voluntary* to take this into account. On the whole, therefore, a substantial risk exists for a REDD+ system based on historical averages to generate hot air and achieve little to no atmospheric benefit if the countries where deforestation is increasing most rapidly end up being the 'losers' in a REDD+ agreement.



A B

In the situation where we allow a trend more data will be needed, but the cost of these additional data will be more than offset by the additional emission reductions that can be achieved where rates are rising. In addition, allowing a baseline trend will remove most instances where an adjustment would be necessary as the past should in the large majority of cases reflect what we can expect in the future.

2. Criterion 11: A Reference Period

It is recommended that the name of this be changed to the 'Historical Reference Period' as it refers to the past, while the 'Reference Level' refers to the future. It is felt this alteration will reduce confusion.

3. Reference Period End Date – Indicator 11.1

"The end-date for the Reference Period is the most recent date prior to 2011 for which forest-cover data is (sic) available to enable IPCC Approach 3"

The use of a fixed date that is already 2 years in the past is potentially highly risky with respect to atmospheric impact (especially when paired with an average-based reference level).

At the extreme a program implemented in 2015 will be using a reference level based on 2001-2011 data. Therefore at the end of the implementation period in 2020 some of the reference data will be almost 20 years old. Where deforestation is rising or falling the average number representing the mid-point of the reference period (2006) will be being used 14 years later either leading to extreme difficulty in reducing below the RL or highly significant hot air. Equally such a historically distant point of time for reference will overlook all recent changes in emissions again either over or underestimating the historic emissions.

Instead it is recommended that this be changed to 'The end-date for the Historical Reference Period shall be based on forest-cover data available to enable IPCC Approach 3 within two years prior to the start of the ERPA'.

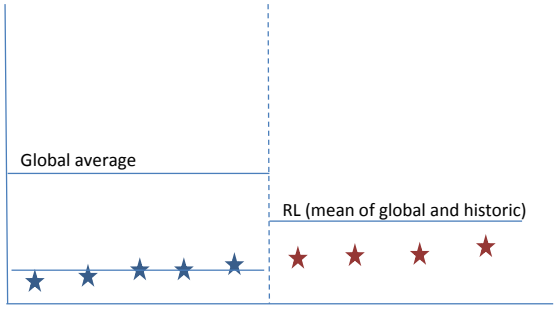
4. Adjustments – Indicators 13.2 and 13.3

Solely for HFLD countries[1] with expectations of future higher rates of emissions, adjustments will be allowed under the Methodological Framework.

Two options are given:

A. Under option 1 the adjusted RL will be equal to the average of the reference period and, the global rate of deforestation multiplied by the total available forest carbon stocks in the relevant jurisdiction
B. Under option 2 the adjusted RL would be the calculated EXPECTED future emissions.

We would argue that option 1 is entirely atmospherically meaningless. A global rate of deforestation has very little to no relevance to a specific jurisdiction. Then applying a midpoint between the global rate[2] and the actual average also has no basis in what would be expected in the jurisdiction in the crediting period even where an additional arbitrary threshold is applied.



For a HFLD country with high pressure of deforestation the atmosphere and the jurisdiction can fairly receive benefit where actual expected emissions are modeled. The express purpose of REDD+ is to reduce greenhouse gases and for compensation to be correlated with emission reductions. For this to be achieved adjustments should have a basis in what we would expect to happen under business as usual.

5. Uncertainty – Indicators 9.1 and 9.2

Uncertainty is "quantified using accepted international standards, for example by providing accuracy, confidence interval, distribution of error, propagation of error".

The reference to propagation of error explicitly will allow the IPCC Approach 1 for combining uncertainties. Approach 1 is equivalent to a Tier 1 approach and is particularly weak where correlations exist in the data or uncertainties are large – both common in the REDD+ context.

---

[1] One of the requirements listed 'Long-term historical deforestation has been minimal across the entirety of the country' is not specific. It is recommended if this indicator remains, that this text be altered to improve clarity. This could include text stating that nationally average annual historical emissions have not been higher than x, listing the countries where this is allowed, or providing other more detailed language.

[2] A number that is poorly known and subject to great uncertainty.

We would argue Approach 2 of Monte Carlo simulation should be the minimum standard for combining errors under REDD+. The costs and complexity are not high.