

Chile's Emissions Reduction Project Idea Note to the Carbon Fund

EXECUTIVE SUMMARY

Since 2010, Chile has actively participated in the Readiness Fund of the Forest Carbon Partnership Facility (FCPF), with the World Bank acting as the Delivery Partner. The National Forestry Corporation (CONAF, Spanish acronym), an entity that is part of the Ministry of Agriculture, is the agency responsible for promoting the development of the forestry sector in Chile, through a set of related instruments and regulations. Importantly, CONAF has also been appointed as the National Focal Point for the REDD+ mechanism to the UNFCCC Secretariat, following the invitation made by the 19th Conference of the Parties as part of the Warsaw framework for REDD+.

A major achievement in Chile's participation in the FCPF was the signing of its Readiness Grant Agreement with the World Bank, on December 9th, 2013. The Readiness Grant will allow Chile to access a critical funding source for carrying out a series of activities in the short and medium term, in order to advance its *readiness* towards results-based REDD+ payments, the main focus of the FCPF's Carbon Fund to which CONAF is formally presenting the current Idea Note. Chile is expecting to achieve significant advances towards its Readiness by the first quarter of 2015, which will be demonstrated through a formal presentation of a Readiness-Package to the FCPF. Following positive endorsement by the PC, the country will be able to advance with the submission of its Emissions Reduction Program (ER program) Document to the Carbon Fund.

CONAF, through its Climate Change Unit, is developing the *National Strategy for Forests and Climate Change* (ENBCC, Spanish acronym). Market-based approaches and results-based payments have been at the core of the strategy since its inception, through the creation of the Platform for the Generation and Trade of Carbon Credits from the Chilean Forestry Sector (PBCCh, Spanish acronym), established through CONAF Executive Management Resolution dated June 2012. In order to operationalize the PBCCh, CONAF has established a group of professionals in each region of the country who have the responsibility for coordinating all field activities undertaken through the framework of the ENBCC, including mitigation, adaptation, and capacity building. The ENBCC provides a comprehensive national approach encompassing all of Chile's actions in the REDD+ area, including the FCPF but also other efforts undertaken through a variety of national and international partnerships, such as the Nationally Appropriate Mitigation Action (NAMA) in the forest sector with support from the Government of Switzerland, and the Global Environment Facility (GEF) financed project called "Sustainable Land Management", among others.

Under the FCPF's Readiness Fund, the Participants Committee (PC) approved Chile's Readiness Preparation Proposal during its fourteenth meeting held in Washington DC on March 2013. The main recommendation of the PC was for CONAF to establish multi-sectoral arrangements in order to support an effective decision-making process for the development of the ENBCC and the PBCCh. Specifically, and in reference with the full political support required for the development of the ER Program, the Bureau of Forestry

and Climate Change will be established and become fully operational during 2014. Composed of public agencies in the agricultural and forestry sectors, governmental and non-governmental representation of Indigenous Peoples, small and medium-size landowners, and non-governmental organizations (NGOs), among others, it will constitute the Political and Strategic Board of the entire initiative. To provide technical support to the Bureau, the National Technical Expert Group (GNTE, Spanish acronym) was established on August 22, 2013, consisting of public and private entities with a diverse expertise in the forestry and climate change sector which are contributing to the design of the ENBCC and the ER-program.

Chile's Emissions Reduction – Project Idea Note (ER-PIN), titled "Reducing Emissions from Degradation in the Temperate Forests of Chile", proposes the implementation of a jurisdictional, sub-national program for the "Temperate Forests" of the country (approximately 16.5 million hectares in total), covering five regions (from Maule to Los Lagos) and about 51% of the total forest area in Chile. In addition, the Jurisdiction houses a large number of plant and animal species at risk of extinction, threatened by the high levels of forest exploitation and resulting degradation in the area relative to other parts of the country. Therefore, the scale and ambition of the Chilean proposal is of considerable importance, as required by the Methodological Framework of the Carbon Fund.

The ambition of the Chilean ER-program is confirmed by the preliminary estimates of the Reference Levels for each Jurisdiction provided in the ER-PIN. These estimates were generated based on the same activity data, emission factors and assumptions used in the country's third National Greenhouse Gas Inventory (NGHGI), to be formalized in 2014, and guided by the methodologies of the Intergovernmental Panel on Climate Change (IPCC) 2006 Agriculture, Forestry, and Other Land Use (AFOLU) Guidelines. The ER-PIN presents detailed information on the methodologies used for measuring and accounting for reference levels, Monitoring, Reporting and Verification (MRV), leakage, non-permanence and uncertainties. It is important to highlight that the MRV plan of the ER Program will be based upon an improvement of the current National Forest Monitoring System of Chile, whereby the frequency of data collection will be increased as established by the CF Methodological Framework and the parametric information for the development of emission and removal factors will be improved.

The historical reference period used in the Chilean ER-Program covers the period from 1998 to 2012. This decision was based on the available activity data generated from the Vegetation Cadaster managed by CONAF since 1997, and the respective requirements of the Carbon Fund Methodological Framework. The preliminary results included in the ER-PIN indicate average historical emissions from degradation equaling 15,279,431 tCO₂eq/yr, with deforestation and sequestration equaling 615,541 tCO₂eq/yr, and -239,606 tCO₂eq/yr respectively. Based on the assumptions included in the ER-PIN, the projected cumulative reduction of GHG emissions and increase in removals to be generated by the ER Program between the years 2015 to 2020 would be 659,509 tCO₂ from reduced deforestation, 6,548,328 tCO₂ from reduced degradation, and 256.722 tCO₂ for removals associated with native forest regeneration, excluding entirely from the

proposal the fast growing exotic plantations commonly used in Chile for supplying the pulp industry.

The main strategic options that the ER-program proposes to implement in order to generate the ex-ante estimated ER amounts are: i) strengthening of forestry extension programs to increase small and medium landowner participation in CONAF's existing incentive schemes; ii) improve the productive value chains associated with native forest management; iii) strengthen the delivery of information related to non-carbon forest benefits iv) increase the effectiveness of fire prevention campaigns and initiate a program to restore native forests affected by fire; v) promote and carry out certification schemes for the sustainable use of firewood; among many others to be financed largely with funds associated with the preparation stage of the ENBCC.

These strategic options focus directly on reducing the pressure from the major drivers of degradation that Chile has identified to date, both in its INGEI as well as in the preliminary reference level estimates of the ER-program, which include: i) illegal logging for the commercial production of firewood and timber, ii) forest fires, and iii) replacement of native forests by exotic plantations. The identification and assessment of the key drivers of GHG emissions is expected to be further strengthened during the process of participation and consultation that will be carried out during 2014 and 2015, and that was formally initiated in June 2013.

The Jurisdiction proposed in Chile's ER-PIN, in addition to meeting each of the criteria and indicators of the Methodological Framework, will be also validated and verified under the standards of the VCS Jurisdictional and Nested REDD Initiative (JNRI), and for the safeguards component, in addition to the requirements of the national legislation and the World Bank Operational Policies, will meet the requirements of the Climate Community and Biodiversity Alliance (CCBA) standard and its REDD-Social Environmental Standards (REDD- SES) program.

Among the distinguishing elements of the Chilean proposal, and which will eventually serve as a reference point for other countries promoting the REDD+ mechanism, is the high level of involvement of the private sector that the ENBCC aims to promote. To date, the ENBCC counts with the support of a number of financial and technical contributions from companies in the wine industry, as well as the mining and forestry sector, and this support is expected to increase in the future. At the same time, the program seeks to advance the development of practical strategies and frameworks that will enable to reduction, monitoring and measurement of activities related to forest degradation. Such an endeavor requires the active promotion of innovative initiatives of a highly technical and academic standard in order to develop and validate robust and appropriate methodologies, without losing sight of the ultimate objective of the Program which is to increase the benefits that land and forest users receive from their efforts to protect and sustainably manage their natural resources, thus recognizing the invaluable environmental services they supply at the local, national and global level.

The non-carbon benefits that will be generated in the ER-program area are directly related to the “plus” concept of REDD which, when valued by forest owners, will ensure the sustainability of the activities and contribute to the permanence of the ERs generated by the Program. These include: i) improved forest governance through greater territorial control by local stakeholders that have participated in the design of the strategic options to will be implemented under the ER-program, ii) given that about 60% of the endemic plant species of the country are located in central Chile, largely coinciding with the proposed ER-program jurisdiction, increased biodiversity protection will be ensured through concrete actions such as the incorporation of species with identified conservation problems, and the monitoring of protected areas and buffer zones intended for conservation of environmentally important sites, iii) establishing environmental education programs will be one of the benefits and long-term pillars that will contribute to effective and lasting changes in the practices of local communities and ensure that the actions implemented by the Program have a sustainable and real impact in the area, iv) increased use and conservation value of areas of cultural importance of native forests, for example the Mapuche indigenous people who use forest as a source of traditional medicine and food, among other uses, v) improve water regulation services of river basins and territories through the increase and diversification of native forest cover, vi) increase the value of forests by increasing the availability, collection and use of Non-Timber Forest Products (NTFPs), vii) improve and diversify the supply of food to local communities, which will also have an impact on higher family incomes based on food savings and surplus sales; and viii) increased landowner participation in the State incentive programs for forestry development by supporting land titling programs, among other non-carbon benefits that may arise in the framework of the implementation of the ER program.

The participation and consultation of different stakeholder groups in the design of the ER-Program is ensured from the beginning through a Strategic Environmental and Social Assessment (SESA) carried out as part of the ENBCC development. A stakeholder map has been developed for each region of the country with the aim to ensure the participation and representation of the views and interests of all who depend on and/or are related to forests in different ways for their livelihoods. These stakeholder maps cover the entire country through a multi-level, multi-stakeholder, and multi-sectoral approach, promoting a participatory vision of the main issues that need to be addressed in the Program’s Environmental and Social Management framework (ESMF), including the main risks of the strategic options identified and maximizing the potential benefits generated in the territories covered by the ER program.

Indigenous Peoples consultation and participation is being given special attention and is incorporated in the ER-program design through a two-pronged approach: first, through the actions and decisions that are being incorporated in the EMSF as a result of broad indigenous participation occurring through the SESA process; and second, through a specific consultation that will apply to indigenous peoples previously to preparing the R-Package and the EMSF, following the guidance of the World Bank Operational Policies on Indigenous Peoples (OP 4.10) and the International Labour Organization (ILO) Convention

No.169 that forms part of the national legislation and therefore guides the responsible entity of the Program, i.e., CONAF, to carry out a "free and prior informed consultation".

The design of the Benefit Sharing Mechanism that will be applied in the ER-Program Jurisdiction still needs to be defined through careful studies, however it is clear that it will have to contain the key elements resulting from the consultation process being carried out as part of the ENBCC and the ER-Program, in addition to the relevant decisions and approaches adopted under the REDD+ mechanism in the framework of the UNFCCC. It is envisaged that the implementation of such mechanism will be based on the existing benefit sharing schemes administered by CONAF across the country, such as the forestry incentives stipulated by the current legislation. This will ensure a transparent, equitable, and flexible system of national scope and with the capacity to evolve and innovate in response to the performance-based approach.

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