



Forest Carbon Partnership Facility

Global Dialogues on R-PP Preparation

REDD Implementation Framework



August, 13 – 14, 2009



REDD Implementation Framework: What is required in R-PP?

- This component aims to set out institutional, economic, legal and governance arrangements that may be necessary to enable the country to implement its REDD strategy options.
- Country is expected to discuss early results of analysis already undertaken or future analysis to be carried out to allow the design of the REDD Implementation Framework.



Main Issues to be considered

- Carbon ownership
- Benefit sharing mechanisms for potential REDD revenues
- Scale of REDD Implementation (national x sub-national x hybrid implementation)

Many questions for which we do not have answers at present!

The FCPF does not expect a country to have these arrangements and issues fully understood at this time.



Carbon ownership

- **Issues to be considered:**
 - **Who owns the carbon / emission reductions?**
 - Most countries do not have specific legislation on Ecosystem Services, such as carbon.
 - What kind of policy / institutional reform is necessary to clarify carbon / emission reduction ownership? What analytical work is needed?
 - **What is the relation between carbon ownership and land and tree tenure**
 - How would carbon ownership vary across different types of land tenure (state land, community land, private land)
 - Carbon rights do not necessarily have to be linked to land tenure. Key is that the country puts in place a national system for distribution of revenues based on principles of equity and fairness.



Carbon ownership (2)

- Issues to be considered:
 - What are the main risks in defining carbon ownership?
 - How to make sure communities' rights (including Indigenous Peoples) are safeguarded?
 - How to avoid conflicts between communities when defining ownership?
 - How can pilot projects support the clarification over carbon ownership?
 - Pilot projects (including A/R) may have gathered information useful for the establishing the national framework
- This issue should also be explored in the “Strategic Environmental and Social Assessment”



Benefit sharing schemes

- Issues to be considered:
 - How would the REDD revenues generated by these transactions be shared?
 - This is one of the key questions in REDD - how to make sure the benefit sharing scheme is equitable, efficient, effective and transparent?
 - How to make sure the resources are equitably shared?
 - How to avoid the risks of elite capture? What are the main risks?
 - What are the lessons learned from existing benefit sharing schemes in other natural resources sectors?
 - Mining
 - Oil / gas
 - Forestry (forest concessions, national parks, etc.)
 - Creating new institutions is extremely complex. Countries should consider working within the existing frameworks (adapted as needed)

Benefit sharing schemes (2)

- Issues to be considered:
 - In what form would resources be shared?
 - Local development projects, payment for ecosystem services, direct budget of the state, etc?
 - What mechanisms would the country have to put in place to manage a revenue sharing mechanism?
 - A “ REDD foundation” , Central Bank, private banks, etc?
 - The process to make these decisions will be key!
 - Process should be transparent and participatory
 - However, countries need to be very careful in managing expectations and communicating appropriately!
 - The international REDD architecture is not defined yet, making it difficult to assess what the benefits of REDD to a determined country could be.

Early example of benefit sharing - Indonesia regulations on REDD projects

No.	Type of forest permit	Government	Community	Project Developer
1.	Permit to use products from timber and natural forests	20%	20%	60%
2.	Permit to use products from planted forests	20%	20%	60%
3.	Permit to use products from forests: Ecosystem restoration in natural forests	20%	20%	60%
4.	Permit to use products from Community Planted forests	20%	50%	30%
5.	Community-owned forest	10%	70%	20%
6.	Community-managed forest	20%	50%	30%
7.	Customary forest	10%	70%	20%
8.	Village forest	20%	50%	30%
9.	Forest management units	30%	20%	50%
10.	Forests for special uses (KHDTK)	50%	20%	30%
11.	Protected forest	50%	20%	30%

Fund for Protection and Conservation of the Brazilian Amazon:

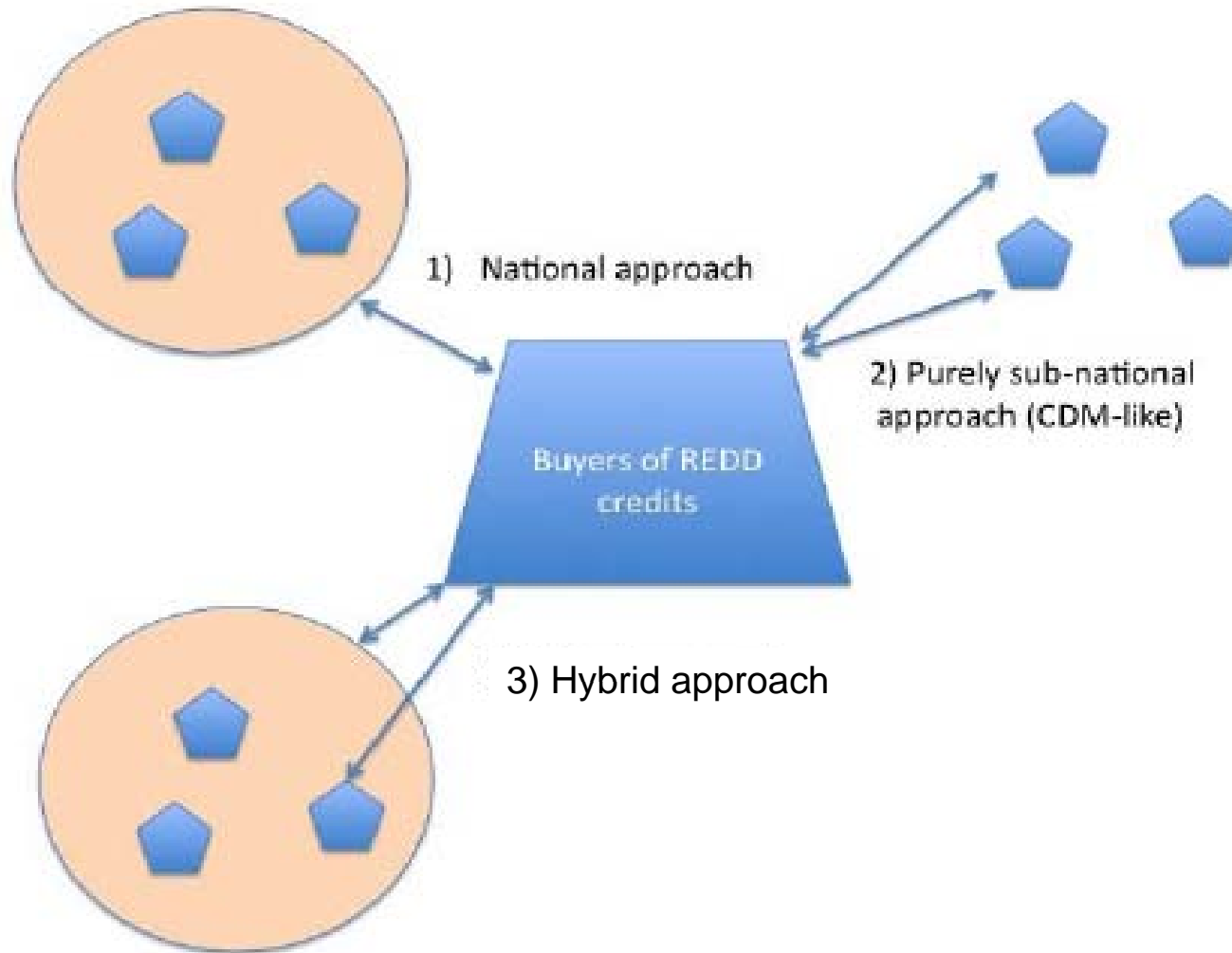
- Hosted and managed by BNDES (Brazilian Economic and Social Development Bank)
- Fund to foster the conservation and sustainable use of forests
- Intends to cover non-reimbursable loans for actions taken towards the prevention and monitoring of deforestation
- Donations may be made by governments, companies and individuals (US\$1 Billion is by 2015). US\$5 = diploma from the Brazilian government for 1 tCO₂.
- BNDES has grouped project lines into four categories:
 - (i) Protected Areas (Environmental Management and Services)
 - (ii) Sustainable Production Activities
 - (iii) Scientific and Technological Development Applied to the Sustainable Use of Biodiversity
 - (iv) Institutional Development and Enhancement of Forest Management Systems
- The average deforestation rate used for the Fund as a reference level is a conservative measure of 1,95 million (based on average from 1996 to 2005). The ADR will be revisited every 5 years.
- Calculations: [Reference Year(ha) - 1,95 million ha] * 100tonC/ha= ER, compensations will be paid only if deforestation is lower than the ADR.



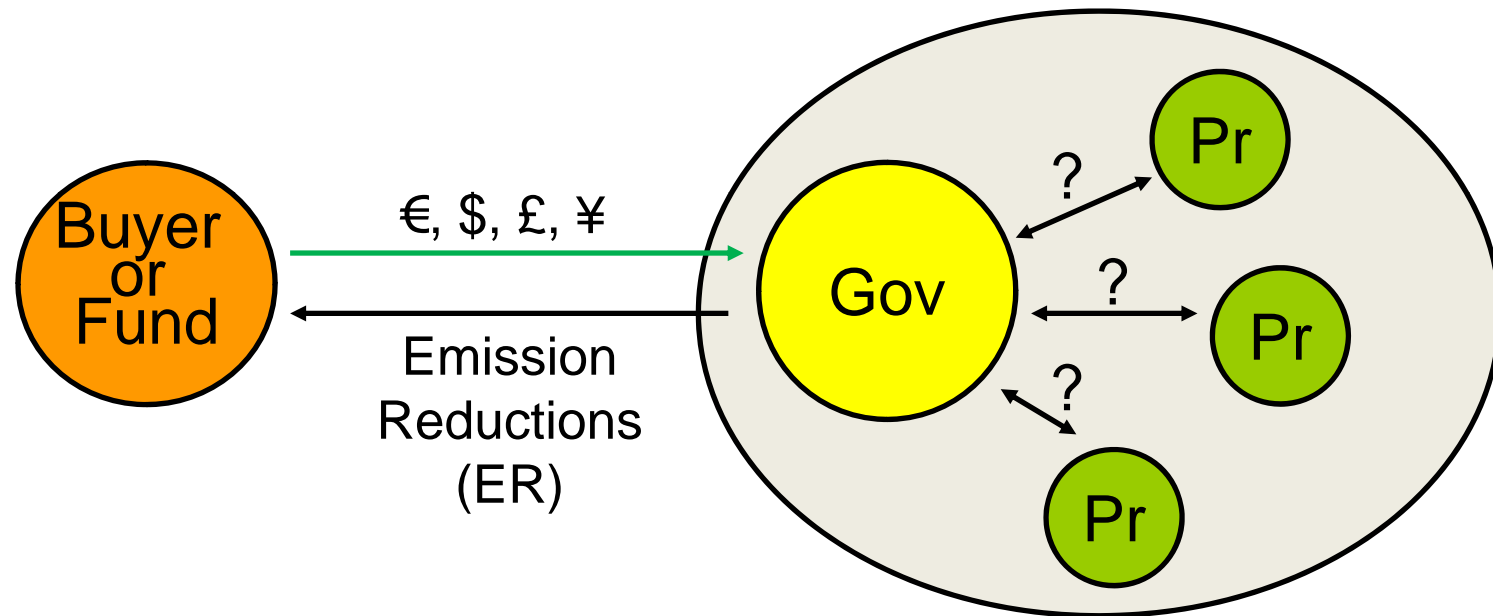
REDD Implementation Scale

- **REDD Implementation scale refers to the level at which REDD activities would be implemented and credited. Three main approaches are currently in discussion:**
 - **National Approach**: all relevant REDD actions and activities are centralized through the national government that accounts for emissions from deforestation and forest degradation, implements REDD actions, monitors results and receives international incentives for it (Annex I parties - Kyoto Protocol).
 - **Project Approach**: all REDD activities are carried out through site specific activities, in most cases sponsored by private entities. GHG accounting takes place at the project level, and project sponsors are rewarded for reductions (CDM).
 - **Hybrid Approach**: this approach allows accounting and crediting for GHG reductions of REDD projects operating within a national or sub-national accounting system.

REDD Implementation Scale

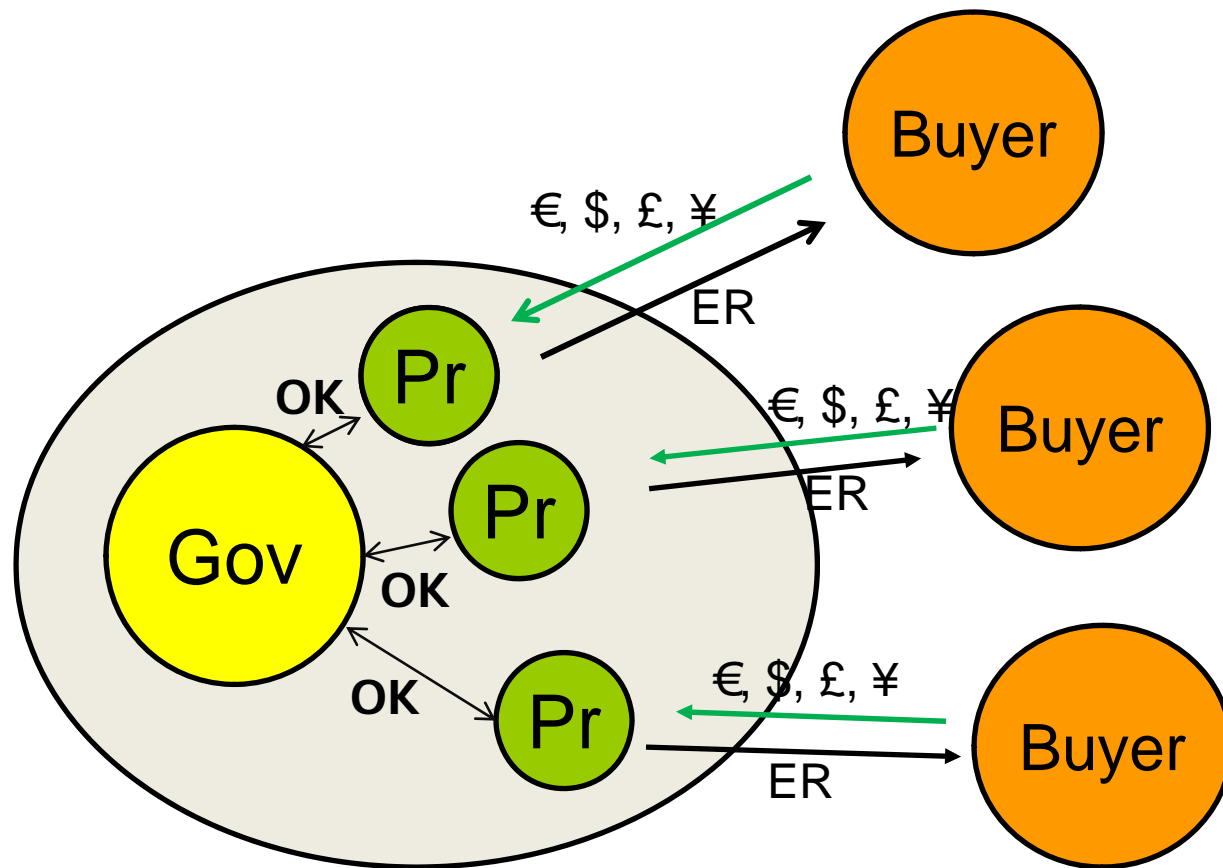


National only



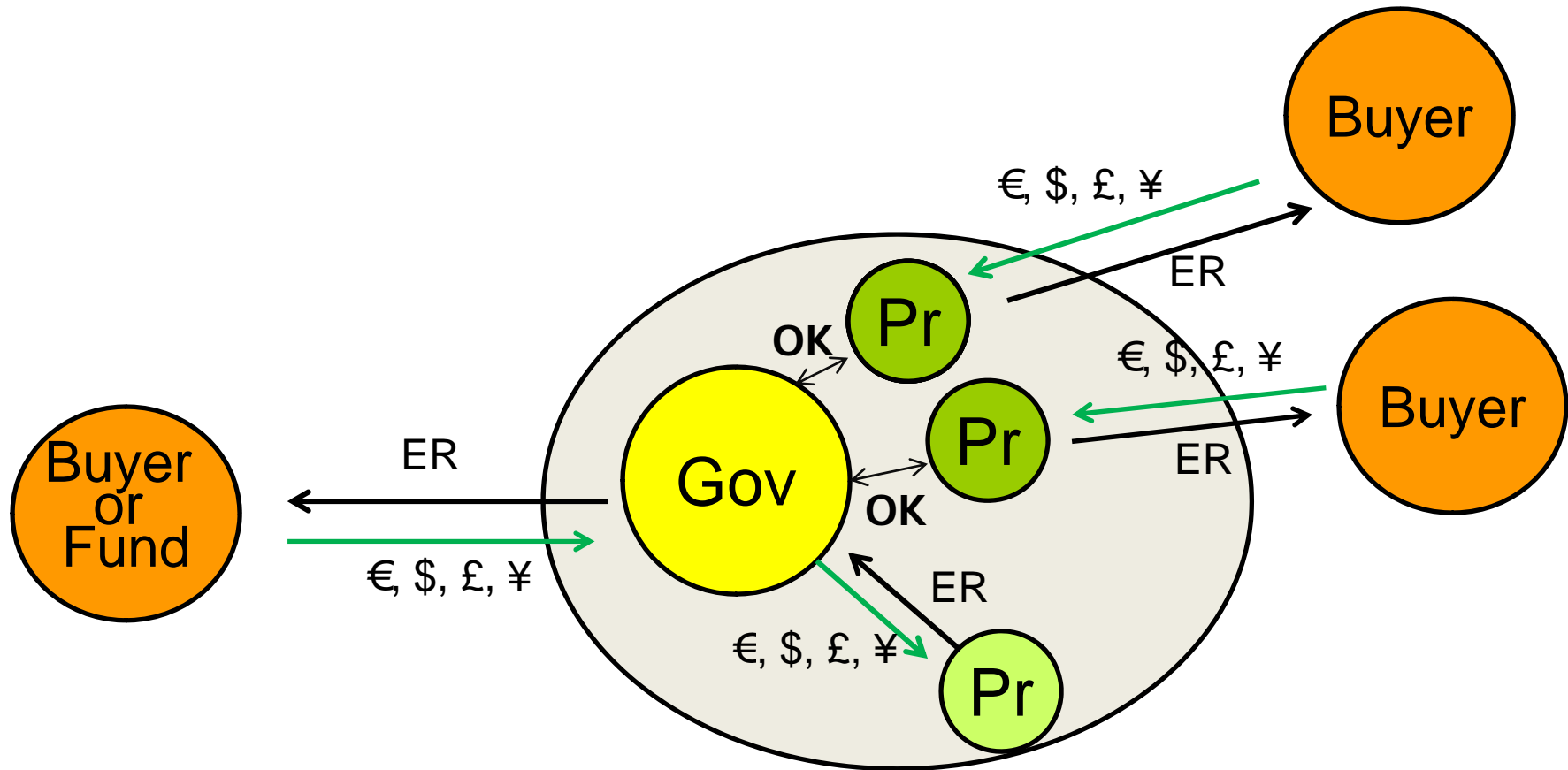
Each country defines its own “docking” approach. The rules of the future international REDD mechanism do not address this issue.

Sub-national only



“Docking” is not an issue under this approach, but it will become an issue once a national approach is adopted (which is just a matter of time).

“Hybrid”



“Docking” is an issue that is at least partially addressed in the rules of the future international REDD mechanism.

National X Sub-national Implementation

	Positive aspects	Negative aspects
National level	<ul style="list-style-type: none"> -Easier to avoid domestic leakage and double counting -Lower MRV costs per CO2e reduced -Address underlying drivers of deforestation including governance reform 	<ul style="list-style-type: none"> - Requires significant capacity - Harder to implement - Risk of elite capture - Less interest from private sector (returns on investment are dependent on policy effectiveness and government goodwill)
Sub-national level	<ul style="list-style-type: none"> - Allow for a prompt start -Allow more countries and local people to participate -Encourages the participation of the private sector 	<ul style="list-style-type: none"> - Potential for in-country leakage - Greater permanence risk -Minimal motivation to advance to national approaches - Does not trigger required policy changes and governance reforms
Hybrid level	<ul style="list-style-type: none"> - More attractive for private sector. -Less project-level and international leakage (more countries and sub-national entities participating) - Probably more and faster emission reductions 	<ul style="list-style-type: none"> -International and national REDD governance structure is more complex. - Complex methodological questions (issue of 'docking')

Pros and Cons of Different Approaches

REDD model	Criteria		
	Effectiveness	Efficiency	Equity and co-benefits
Subnational approach	<ul style="list-style-type: none"> + Broad short-term participation + Attractive to private funders - Domestic leakage a problem - Does not trigger the required policy changes - Weak involvement of host countries 	<ul style="list-style-type: none"> ± MRV costs lower overall but higher per CO₂ equivalent + Differentiated incentive payment possible: lowers costs 	<ul style="list-style-type: none"> + Easier participation by poor countries and those with weak governance + Can target poor domestic groups and create more opportunities for community participation
National approach	<ul style="list-style-type: none"> + Broader set of policies pursued + Captures domestic leakage + Stronger host country ownership - Unsolved issues of reference levels 	<ul style="list-style-type: none"> + Lower MRV and transaction costs per CO₂ equivalent + Low-cost (non-PES) policies available - Potential for policy and governance failure 	<ul style="list-style-type: none"> + Potentially larger overall transfers + Better alignment with national development strategies - Favours middle-income countries - Risk of high level and elite capture ('nationalisation' of carbon rights)
Nested approach	<ul style="list-style-type: none"> + Combines strengths of other two approaches + Flexibility based on national circumstances + Potential for larger overall transfers - Unsolved issues of reference levels 	<ul style="list-style-type: none"> + Both differentiated compensation pay and low-cost broad policies - High MRV costs (which requires disaggregated national data) - Challenge to harmonise between national and sub national 	<ul style="list-style-type: none"> + Increased country participation and larger transfers to poor countries + Possible to target poor groups

Source: Table 1, CIFOR Brief Info, n 15, Nov. 2008



Key questions for pilot projects

- **Pilot projects can contribute to REDD Readiness:**
 - Many issues (legal, institutional, financial) will only be identified when concrete activities on the ground are promoted
 - Region-specific issues could be better tackled through projects; they could target deforestation ' hotspots'
 - Create confidence on the possibilities of REDD among decision-makers, market players, etc.
 - Generate revenues for local initiatives, reaching local communities
 - Allow "early movers" to initiate actions on the ground
- **However, there are important points to keep in mind regarding pilot projects:**
 - How they fit into a national accounting of GHG
 - How project reference scenarios relate to the national baseline
 - How the MRV systems of project relate to the national MRV
 - What institutional framework should be put in place to regulate REDD projects

Nobody knows how this will play out!



Registry

- Countries may consider establishing a registry for existing projects, REDD activities and emission reductions being generated nationally
- A registry allows country to keep track what's happening in the country in terms of Emission Reduction generation
 - The registry is a type of asset inventory
- It should be built incrementally
 - From database with basic information of projects / REDD activities to sophisticated tracking systems
 - Should follow eventual guidance from UNFCCC
- What role would the DNA have in managing this registry?

Indonesia's Regulations for REDD projects

- Procedures for Reducing Emissions from Deforestation and Forest Degradation → signed by Minister of Forestry in May 2009.
- First national legal regime for REDD projects and the issuance and trading of emission reductions.
- Eligible areas. Lists the different types of Indonesian forest areas that are eligible to host REDD projects (according to tenure).
- Project proponents. Both a national entity and an international entity are required to act as proponent.
- Approval of projects. REDD project proposals must include a REDD implementation plan to be submitted to the Minister of Forestry for approval. Assessment by REDD Commission. MF issues REDD implementation license.
- Indonesia expects REDD credits from national projects to be eligible for compliance under an international trading system.
- Benefit sharing has been clarified in later regulation.