

Linkage between forest-based mitigation and GHG markets: REDD+ funding in proposed US climate bills

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INTRODUCTION

Climate Change Legislation proposed in the 110th Congress Economy-wide cap-and-trade programs

SENATE

- Lieberman-McCain S.280
- Sanders-Boxer S.309
- Kerry-Snowe S.485
- Bingaman-Specter S. 1766
- Lieberman-Warner S. 2191 (Oct. 2007)
- Boxer-Lieberman-Warner S.3036
S.Amdt. 4825 and floor amendments
(May-June 2008)

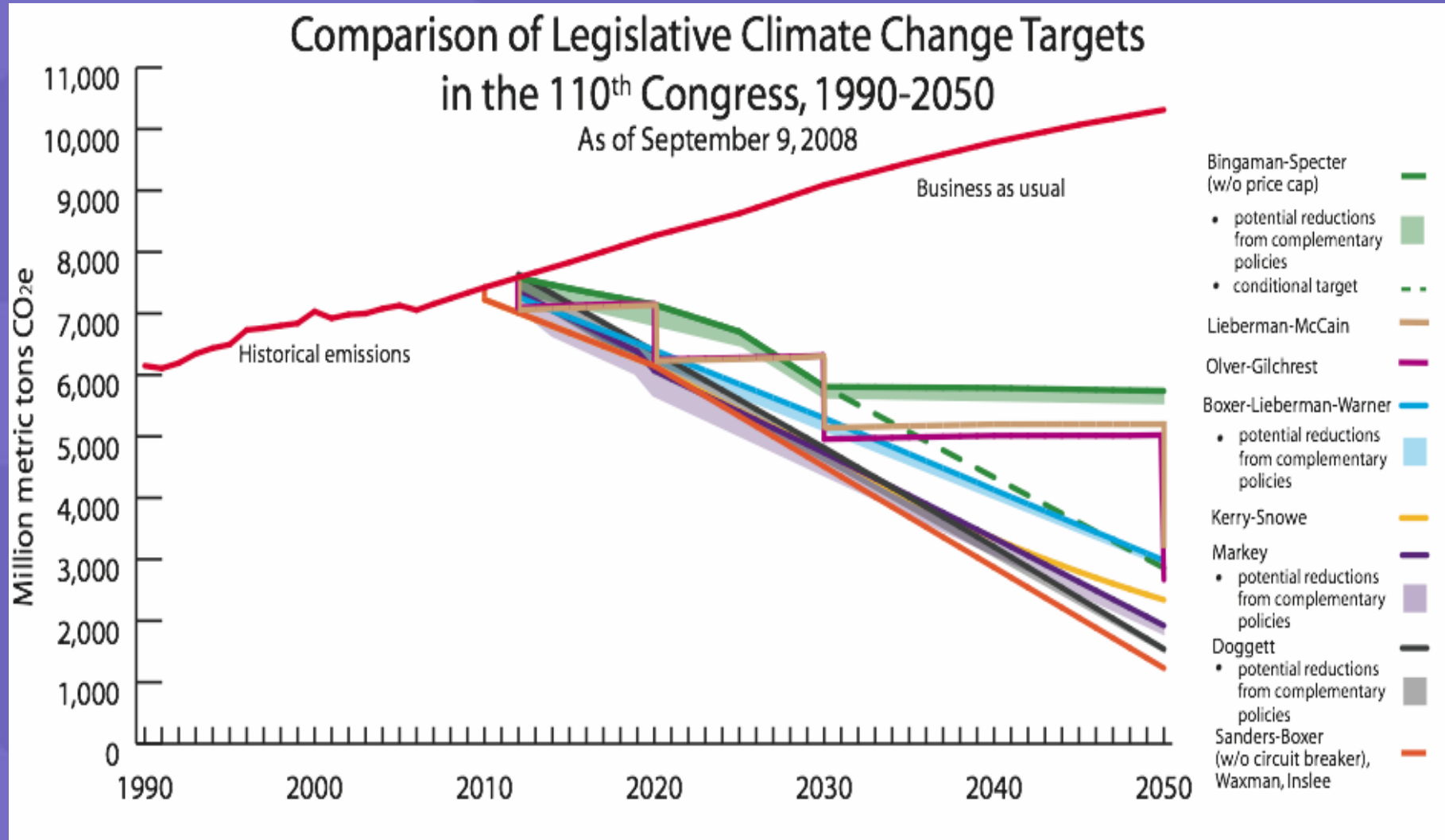
HOUSE

- Olver-Gilchrest H.R. 620
- Inslee H.R. 2809
- Waxman H.R. 1590
- Markey H.R. 6186
- Doggett H.R. 6316
- Dingell-Boucher DRAFT
Oct. 2008

Two major changes relative to previously proposed legislation:

- Caps extended to 2050
- REDD+: cost-containment measures and capacity building funds.

STRINGENCY OF THE BILLS: COMPARISON



Source: WRI, 2008

LIEBERMAN WARNER S.2191 and EPW amendments

1. Cost-containment: No REDD+.

- Domestic offsets: 15% of cap
- International allowances from capped nations (no project based offsets): 15% of cap. **REDD+ not included.**

2. REDD+

Establishment of a funding mechanism for REDD+ (REDD, AR and improved forest management).

- The Administrator shall **allocate and distribute allowances for use in carrying out forest carbon activities** in countries other than the United States.
- Originally allocated with 3% of emission allowances of a year's account (set-aside), then reduced to **2.5%** (3.6 GtCO₂) after EPW Committee. Emissions reductions are supplemental.
- Back of the envelope calculation: **US\$ 5-8 billion per year** on average.

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LIEBERMAN WARNER S.2191 and EPW amendments

ELIGIBILITY and QUALITY REQUIREMENTS (shared by subsequent bills):

- ✓ **sufficient historical data** on changes in national forest carbon stocks;
- ✓ **technical capacity to monitor and measure** forest carbon fluxes
- ✓ **institutional capacity** to reduce emissions from deforestation and degradation;
- ✓ **capped GHG** or otherwise established a **national emission reference scenario** based on historical data; and
- ✓ commenced an **emission reduction program for the forest sector**.

Crediting and Additionality:

- REDD: A verified reduction under a cap or from a nationwide emissions reference scenario shall be eligible for crediting; and considered to satisfy the additionality criterion.
- Periodic review of REDD baselines.
- “+” shall be eligible for crediting too.

For Countries not meeting the criteria: the Administrator (1) shall recognize REDD+ credits and (2) is encouraged to identify other incentives, including economic and market-based incentives.

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BOXER-LIEBERMAN-WARNER S.3036 S.Amdt. 4825: REDD+ provisions

MAJOR DEVELOPMENTS (I):

1. Similar funding mechanism for REDD+ as in S.2191.

- Major difference: assigned only **1% set-aside** (1.5 GtCO₂)

Eligibility and quality requirements: few modifications.

- Peatlands
- Consideration of indigenous and other forest-dependent individuals rights.

2. INTERNATIONAL PROJECT-BASED OFFSETS

- Quantity: **5%** of the emission allowances established for that year.
- Little detail on eligibility, **could include REDD+**.
- Carry-over.
- Competition with international allowances from capped nations.

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BOXER-LIEBERMAN-WARNER S.3036 S.Amdt. 4825: REDD+ provisions

MAJOR DEVELOPMENTS (and II):

3. OFFSET ALLOWANCES FOR INTERNATIONAL FOREST CARBON ACTIVITIES

- the quantity of offset allowances is **10%** (14.6 GtCO₂) of the quantity of emission allowances established for that year.
- limited to activities in countries that have adopted caps, national baselines
- Carry-over.
- National and subnational programs.
- Offsets distributed to the governments of foreign countries by the Administrator.
- Competition with international allowances from capped nations.

Eligibility and quality requirements: few additions.

- Consideration of indigenous and other forest-dependent individuals rights.
- Average annual deforestation and degradation rates: at least 5 years.
- Projected to result in zero-net deforestation by not later than 2050

BOXER-LIEBERMAN-WARNER relevant floor amendments: REDD+ provisions

1. **Kerry-Menendez amdt.** to increase forest carbon set aside to 2.5% by taking the additional 1.5% of allowances from the oil industry.
2. **Corker-Sanders amdt.** to strip all international offset provisions including international forests provisions.
3. **Craig amdt.** to strip international project-based offset provisions from the bill and bolster domestic forest provisions
4. **Stabenow amdt.** on cost control - included domestic + international offsets provisions; 1 billion tons for each through 2030.

House Bills and REDD+

Markey H.R. 6186

1. International offset credits: **REDD+ not eligible.**
2. International Forest Protection Fund for REDD+. : **1.5%**(2010-2019) **2%** (2020-2050) from auction proceeds (all emission allowances are auctioned)

Distribution:

- Directly, World Bank, international fund created under UNFCCC, or a combination.
- Grants for capacity building.

Doggett H.R. 6316

1. **OFFSET CREDITS:** 25% overall limitation on the use of offsets (combination of foreign allowances, international forest allowances, and domestic offsets.)
 - International Forest Allowances: max. **15 %** of compliance obligation
 - Foreign Allowances: max. 15 %. Origin: capped WTO nations
2. International Forestry Account: **4.4 %** of the Citizen Protection Trust Fund (all emission allowances are auctioned)
 - Phase I Countries: 50% funds for capacity building
 - Phase II Countries: 50% for international forest allowances.

House Bills and REDD+

Dingell-Boucher DISCUSSION DRAFT

1. Set-aside for “supplemental GHG reductions”: one of the options is REDD (mostly capacity building), i.e., competition with other options.
 - 2012-2013: 4.5-5%
 - 2014-2025: 3%

2. Offsets credits and international allowances

- ✓ International offset credits (A)
- ✓ **International forest carbon activities (B)** similar to Boxer-Lieberman-Warner with some improvements and constrains to Subnational programs.

Schedule:

- 2013-2017---up to 5% of its compliance obligations with (A) or (B)
- 2018-2020---up to 15% of its compliance obligations with (A) or (B)
- After 2021---up to 15% of its compliance obligations with (B)
- 2021-2024---up to 15% with (A)
- 2025-2050---up to 20% with international offset credits (A).
- Unlimited international allowances from capped nations (potentially includes REED+).

Conclusions

- Climate Change Legislation proposed in the 110th Congress has evolved to include REDD+, which has become mainstream in the relevant US climate bills since late 2007.
- There are two main funding options: Capacity building funds and REDD+ as cost-containment measure. A combination of both options seems realistic.
- Optimism about its inclusion in the forthcoming US Climate Change Legislation.
- Interactions with EU proposals should be taken into account.