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# Reducing emissions from deforestation and degradation in developing countries (REDD): Insights from the UNFCCC COP-13 in Bali

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Cet article fait suite à la 13<sup>e</sup> conférence des Parties à la Convention des Nations unies sur le changement climatique, qui s'est tenue à Bali, du 1<sup>er</sup> au 15 décembre 2007. L'Iddri a notamment organisé un *side*

*event* sur la déforestation évitée dans le cadre de la Conférence de Bali. Ce texte n'engage que son auteur. En mettant ce document en ligne sur son site, l'Iddri a pour objectif de diffuser des travaux qu'il juge

intéressants pour alimenter le débat. Pour toute question, merci de contacter l'auteur / about this text, please contact: [sheila.wertz@iddri.org](mailto:sheila.wertz@iddri.org)

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## Background

At the 10<sup>th</sup> anniversary of the Kyoto Protocol, the goal to reduce greenhouse gas (GHG) emissions that cause climate change remains of alarming importance. According to the Intergovernmental Panel on Climate Change, these emissions have grown by 70% since 1970; and in 2005 the concentration of the most important GHG, carbon dioxide (CO<sub>2</sub>), peaked at its highest level for 650,000 years (IPCC 2007).

The proposal to compensate reduced emissions from deforestation and degradation in developing countries (REDD), as an additional element in the international climate regime, was put forward to address the so far ignored up to 20% of global GHG emissions arising from forestry. Although excluded from the first commitment period of the Kyoto Protocol, the idea was submitted by Papua New Guinea and Costa Rica, on behalf of the Coalition of Rainforest Nations, at the 11<sup>th</sup> Conference of Parties (COP-11) to the UN Framework Convention on Climate Change in Montreal in 2005. The proposal has initiated a two year examination process, facilitated by the UNFCCC, and has attracted extremely high participation levels of the concerned stakeholders.

As the examination process on REDD took place between 2005 and 2007, several points of agreement and disagreement were being revealed among the different country proposals. Points of agreement included *inter alia*: that REDD would need to play a role in future climate regimes; that there was a need to take into account national circumstances to successfully integrate developing countries; and capacity-building and pilot or demonstration activities (prior to 2012) are crucial to enable developing countries to effectively participate and benefit from REDD. Points of contention consisted in *inter alia*: the potential financing systems (market- or fund/ODA-based), the scope of activity (deforestation *only* or *with* forest degradation or *with* forest conservation), and the scale of implementation (national or project-level).

Decisive advance on the topic was expected from the UNFCCC COP-13 in Bali in December 2007. In total about 10,000 people gathered from December 3<sup>rd</sup> to 15<sup>th</sup> in Nusa Dua to discuss a roadmap that would guide the two year process until 2009 as preparation for the negotiation on the post-2012 climate regime and the role of REDD would play in this endeavor.

## A REDD supportive forest community

A “Forest Day” was held in Bali to discuss the role of forests, notably REDD, in both mitigation and adaptation to climate change. It was organized by the Center for International Forestry Research (CIFOR) and co-hosted by a large number partner organization. The discussions dealt with various aspects of REDD such as governance, sustainable forest management (SFM), sustainable livelihoods and the role of indigenous communities. Key messages included *inter alia*: that despite remaining shortcomings, current methods are “good enough” to proceed with the design of mechanisms towards the goal of REDD; that governance-related challenges present the greatest risks for both international investors and local stakeholders to engage in REDD; that the success of any REDD mechanism depends on the political will to address the drivers of deforestation, including drivers that originate beyond the forestry sector; and that clear land rights and legal rights to carbon are essential to ensure equitable distribution of REDD benefits. Attended by more than 800 people, the event was very well received, also as it presented one of the first major events at which REDD was discussed by the actual forest experts and potential implementers of REDD activities on the ground, with

the objective to contribute to ongoing forest-related discussions within the climate negotiations.

### Increasing REDD advocates among NGO's and civil society organizations

Probably even more than during the discussions on the first commitment period of the Kyoto Protocol in the late 1990s, the civil society and non-governmental organizations were divided between opponents and advocates of REDD, with the latter gaining increasing momentum. Specifically, Bali was characterized by an extremely high number of REDD side-events. Some of them focused on revisiting certain thematic aspects, such as poverty and REDD or IDDRI's side-event on the question how the diversity of "national circumstances" could be effectively accommodated within an international REDD regime. Others consisted more of advocacy events, such as the launch of the "Peatland Fund", the "Forest Now Declaration", and the presentation of the "Amazon Forest People Alliance". The group of advocates was further strengthened by those NGO's who initially, in the late 1990s, opposed the idea of REDD but who over time changed their position to become advocates of REDD. However, the launch of the World Bank led Forest Carbon Partnership Facility (FCPF) was accompanied by large protests of civil society organizations and NGO's. Criticism referred to the risk of effort dilution (i.e. rather than reducing emissions at the "source", within Annex 1 countries, emission reduction efforts would be "relocated" to developing countries where emissions reductions may be cheaper), the limited effectiveness of the Clean Development Mechanism, and equity concerns with regard to carbon financing and REDD as it could trigger further displacement, conflict and violence if forests increased in value. Although the group of advocates outranked the opponents, and cooperative participation is crucial to ensure an adequate design of a future REDD regime, some of the expressed expectations regarding REDD in terms of potential co-benefits (poverty alleviation, sustainable livelihoods, biodiversity conservation, other payments for environmental services) seemed unrealistically high and possibly even counter-productive for the negotiations in the long run.

### REDD as business opportunity for the private sector

The private sector was extremely present at the COP-13 in Bali, also on the topic of REDD. The role of private sector in the topic of REDD is twofold. On the one side, to ensure significant and long-term REDD finance, private sector involvement is crucial in developing cost-effective pilot or demonstration activities until 2009 and beyond. The recognition of the role of the private sector was not only reflected by several NGO-private sector initiatives presented in Bali, but also in part by the argument in favour of project (or sub-national) approaches for its higher potential to attract investments from the private sector. On the other side, including REDD in a post-2012 climate regime constitutes new business opportunities for the private sector – especially when considering that a non-trivial share of the costs associated with the production of Verified Emission Reductions (VER's) go to international consultants. The business potential of REDD was expressed in the various side-events promoting the various private sector services including certification and auditing, consultancy or forest management. Clearly a situation in which both sides see their benefits, private sector involvement in REDD is crucial although it seems important to remain attentive to which extent one wishes the private sector to shape the ultimate REDD mechanism.

## REDD culminates in the official Bali roadmap for 2009

The negotiations on REDD were intense, but can be viewed as successful considering the omission of REDD from the first commitment period of the Kyoto Protocol, and the nature of the areas of contention prior to Bali. Specifically, consensus was reached on the need to stimulate action via pilot or demonstration activities during the next two years as outlined in the Bali roadmap. In addition, crucial advances were achieved with regard to the initial main points of contention, notably on the scope and implementation level of REDD:

- *Forest degradation.* The final decision on REDD as adopted by the Parties acknowledges emissions from forest degradation. The request to include forest degradation was first put submitted by Parties from Central Africa and the ultimate decision of its inclusion needs to be recognized as key advance given the previous strong opposition of powerful actors such as Brazil.
- *Forest conservation.* The inclusion of forest conservation into a REDD mechanism (as advocated by Costa Rica or India, and opposed by Brazil, EU and others) was another topic of contention. Still, the final REDD decision recognizes efforts to maintain and conserve forest carbon stocks – a statement that underlines the role of forest conservation in climate change mitigation and makes the case for sustainable forest management without engaging, at this stage, on the degree (or the form) of inclusion of forest conservation in a future post-2012 regime.
- *National and sub-national approaches.* The appropriate scale of implementing REDD activities was also a topic of debate. While some preferred the adoption of a national-level approach to thus reduce the risk of leakage (i.e. spatial displacement of deforestation or degradation activities from the project to another site within a country), others argued in favor of greater flexibility to also allow project-level approaches (similar to the CDM) in addition to national-level approaches (so called “nested” approaches) to overcome certain governance issues and to attract greater private-sector investments. Key advocates in favor of an inclusion of nested approaches include several Latin American countries notably Colombia. To prevent the risk of leakage, while allowing certain flexibility in the scale of implementation, the Parties finally agreed on the possibility of sub-national approaches with the condition that they should constitute a step towards the development of national-level approach.

Other topics of debate, although ultimately not included in the final decision, referred to crediting of “early action” i.e. the possibility to reward emissions reductions made before 2013 as the results of pilot or demonstration activities in a post-2012 regime (as suggested by Papua New Guinea), and resource mobilization for REDD from Annex I countries (as supported by many Parties and opposed by Japan). Finally, all discussions regarding the ultimate design of a REDD mechanism within a future post-2012 regime will be pursued at COP-14 in Poznan in 2008, with the aim to conclude at COP-15 in Copenhagen in 2009.

The negotiations made a strong case in favor of taking off with REDD demonstration activities, notably to address the drivers of deforestation to thus reduce emissions from deforestation and forest degradation and enhance forest carbon stocks via sustainable forest management. They further emphasized the role of capacity-building to prepare countries to participate in a future REDD regime. The strong interest in the latter was also reflected in the multi-donor funded, World Bank-led Forest Carbon Partnership Facility (FCPF) which dedicates US\$ 100 million to “readiness” activities starting in 2008, and another US\$ 200 million into carbon finance although the latter funds are yet to be secured. Similarly, Norway received substantial attention upon its announcement to provide US\$ 2.7 billion, or US\$ 500 million per year, for REDD activities until 2012. While a highly welcoming contribution, the

question is how that money will be spent, i.e. whether to co-finance existing initiatives as the Forest Carbon Partnership activity, or whether to finance bi-lateral projects such as the signaled interest in supporting Brazilian efforts on REDD.

## Outlook

The Bali COP clearly lived up to its expectations to include REDD in the Bali roadmap as first preparatory step in the direction of a post 2012 climate regime. Remaining methodological issues are to be addressed within the UNFCCC's Subsidiary Body for Scientific and Technological Advice (SBSTA) and all parties are invited to submit their views on how to address these issues by 21 March 2008. Although the negotiations in Bali have been omitting all discussions on the financing mechanism and institutional design of REDD in a post-2012 regime, the outcome still constitutes a strong signal to relevant stakeholders (local and national governments, NGO's private sector) to engage in REDD demonstration activities which will ultimately inform – at COP-15 in Copenhagen in 2009 – the design of the post 2012 regime. It seems highly unlikely today that the negotiations tomorrow can withdraw from the set off discussions on the inclusion of REDD in a future post-2012 regime. Still, for REDD to be adequately and effectively addressed within a future climate regime to be decided in 2009, continuous and equally committed participation of all parties and stakeholders is required, as well as a critical assessment of the adequacy of the climate forum (carbon market) to address all the expressed expectations regarding REDD.