

Forest Carbon Initiative

Proposed Checklist of Policy, Legal and Regulatory Requirements to Stimulate REDD Activities

At the International Level:

Requirement #1 –An effective International Climate Change Regime

Category	Description
<p>a) International Climate Agreement</p>	<p>A critical input to making REDD work is a successful agreement under the United Nations Framework Convention on Climate Change (UNFCCC) in December 2009, including measures to encourage the reduction of emissions from deforestation and degradation in developing countries.</p> <p>It must put developed countries on a path of deep emission reduction targets with binding obligations, and put developing countries on a path towards low-carbon economies with support from developed countries. It should also include a global framework on REDD.ⁱ</p> <p>Such international agreement should be complemented by national level commitments on emissions targets and climate financing such as the U.S. Waxman-Markey bill.</p>
<p>b) Phased approach for engagement in REDD</p>	<p>There is an emerging convergence (promoted by the Government of Norway’s initiative) that an international program to address global forest emissions, and the financing to go with it, should follow a phased approach:</p> <p><u>Phase 1</u> - Assessment, planning and stakeholder consultations to develop a national REDD plan.</p> <p><u>Phase 2</u> - Initial implementation including building needed technical and institutional capacity, piloting approaches, and implementing policies and measures.ⁱⁱ</p> <p><u>Phase 3</u> - Full-scale implementation of the emission reduction measures against a national baseline pursuant to the national REDD plan.</p> <p>These phases are the pathway to a fully functioning program where developed countries provide financing to developing forest nations in return for demonstrated reductions in forest emissions.</p>
<p>c) Funding and technical support for host countries to build capacity for REDD activities (i.e., Phase 1 and Phase 2)</p>	<p>Most of the forest GHG emissions globally come from the clearing and degradation of forests in developing economies, which represent ca. 20% of global GHG emissions. Industrialized countries, responsible for the majority of global emissions, should provide funding and technical support to assist forest nations in building necessary capacity, as well as policies and measures to reduce emissions from forest loss and degradation.</p>

Category	Description
<p>Continued... Funding and technical support for host countries to build capacity for REDD activities (i.e., Phase 1 and Phase 2)</p>	<p>Because planning as well as technical and institutional capacity building will not largely be attractive for private sector investment, these first two phases would need to be primarily financed through international public sector finance. This funding will assist forest nations to prepare for REDD and initiate activities that lead to reductions of emissions.</p> <p>Activities in phases 1 and 2 should not be included in compliance carbon markets, as countries will not yet necessarily have developed national accounting, for example to address the risks of leakage.</p>
<p>d) Interim financing of REDD activities, pre-2013</p>	<p>To ensure rapid progress in working towards national REDD programs and delivering robust emissions reductions, interim financing will be needed until large scale flows of public money are in place under a post-2012 climate agreement.</p> <p>Interim finance would focus on building capacity to see host countries through Phases 1 and 2a. This will assist forest nations to prepare for REDD and initiate activities that lead to reduction of emissions.</p> <p>Current initiatives for funding phase 1 and 2 activities include the World Bank – Forest Carbon Partnership Facility, the UN-REDD Program, the IWG-IFR led by the Government of Norway, and the AFD-NGO Partnership (Agence Francaise de Developpement, Conservation International, Wildlife Conservation Society, WWF).</p> <p>In addition, other financing initiatives are either in place or proposed at the moment, for rewarding the emission reductions generated by Phase 2b and 3 activities. These include the IWG-IFR, and the Prince’s Rainforest Initiative’s REDD ‘Bonds’.</p> <p>Another way to incentivize emission reductions at this early stage is to authorize early links to compliance marketsⁱⁱⁱ. It is expected that markets may be able to channel significant amounts of private sector capital to complement public funding of REDD activities. The amount of funding expected to come from markets, however, will differ depending on whether the private sector is allowed to invest and develop REDD activities or whether its role is restricted to participation in funds and activities managed by the public sector, with the former being more likely to attract larger financial flows.</p>
<p>e) Large, predictable, stable funding for emission reductions used for compliance (i.e. Phase 3)</p>	<p>In the long term, a link to an international compliance regime^{iv} must be created to ensure predictable and adequate REDD finance.</p>

Category	Description
<p>Continued... Large, predictable, stable funding for emission reductions used for compliance (i.e. Phase 3)</p>	<p>Funding could be provided through various approaches, including:</p> <ul style="list-style-type: none"> • Global fund • Multilateral fund • Markets <p>In the case of funds, these could be capitalized solely with public funding or also with private sector finance. It is likely, and desirable, that to achieve sustainable flows there should be a combination of public and market finance. An example of such long-term public finance would be the proposed allocation of funds from AAU auctions for REDD under the Waxman-Markey bill in the United States. This could provide revenues of up to \$4-\$5 billion per year for REDD activities abroad (both related to emission reductions and to the institutional frameworks needed).</p> <p>Market funding could be in the form of investment and development of REDD activities or through the purchase of credits produced by REDD activities conducted by forest nations themselves.</p> <p>For a full compliance market to operate, it is necessary that a full set of rules is put forth, a mechanism for their implementation is established, and a system for registration and validation of carbon credits comes in place.</p>

Requirement #2 - International institutions and rules to regulate REDD activities

Category	Description
<p>a) Institutions to oversee REDD activities</p>	<p>There is a need to coordinate and oversee activities of all participating countries, to verify both the actions in developing countries and the support provided by developed countries, and to coordinate the transfer of REDD units (emission reductions) between countries and any other participants. This will require an international registry to track activities and flows of REDD units.^v</p>
<p>b) Rules and regulations to define and govern REDD</p>	<p>An international program for the inclusion of REDD within the post-2012 UN climate agreement will require development and agreement on a complete set of rules and procedures guiding country and activity eligibility^{vi}, procedures for participation, rules related to national or sub-national accounting (see Section 1, point 2c), and requirements for Monitoring, Reporting and Verification (see Section 1, Point 2 d).</p> <p>It is important these are developed as soon as possible to enable progress towards the implementation of REDD activities on the ground.</p>

Category	Description
<p>c) Rules on accounting for emission reductions (national vs. sub-national activities)</p>	<p>Proposals for REDD focus on three different scales: project, sub-national and national. There is strong convergence that national accounting of REDD is critical in phase 3 as an effective way of addressing concerns that are present with project-level and sub-national activities.^{vii} Therefore, in phase 3, sub-national accounting should only be allowed within national accounting frameworks.^{viii}</p>
<p>d) MRV rules for the creation of compliance-grade emission reductions</p>	<p>MRV requirements imply that REDD emission reductions are <u>measured</u> (M) with reasonable accuracy, meet transparent <u>reporting</u> (R) standards, and are <u>verified</u> (V) by external parties so that credible REDD units (credits) can be issued.</p> <p>It is important to note that both changes in emissions rates and/or levels of carbon stocks must be monitored, verified, and reported.^{ix}</p> <p>It is expected that such MRV systems will adopt IPCC guidance. These MRV systems should require independent verification of claims, and there is the need to ‘form’ capacity to provide these services.^x Independent verification will also be necessary for the support provided by developed countries, to ensure that they are meeting their obligations.</p>
<p>e) Institutions and financial approaches to manage risks</p>	<p>The purchase of REDD credits may expose buyers to a series of risks, including some that are unique to forestry. In particular, the threat of impermanence associated with the unplanned release of carbon stored in forests due to accidents (e.g. fire), illegal activities (e.g. illegal deforestation or logging) or due to country default create risks to REDD credit buyers.</p> <p>Activities can be implemented in the country to reduce this risk, for example, through law enforcement, land use planning, ensuring rights of local communities and Indigenous peoples are retained and benefit sharing. Various institutions or financial products can be created to provide assurance against remaining risks, such as Private Insurance, Buffer pools, Discounting, or an International emergency facility (akin to a “Carbon IMF”).</p>
<p>f) Standardized and transparent contract templates</p>	<p>A large scale, efficient market for Forest Carbon credits (in Phase 3) would require clear and fair agreements related to the purchase and sale of emission reductions between parties. A way to accelerate this move to efficiency would be through the development of standardized and transparent contracts templates similar to those used in other large commodity markets. An example is the ISDA agreements in the EU ETS.</p>

At the Host Country Level:

Requirement #1 - Commitment to International Climate Regime

Category	Description
<p>a) Ratification of International Climate agreement</p>	<p>As a first step for a country’s participation, it must have ratified the UNFCCC and plan to join the future post-2012 UN climate framework, which includes REDD.</p> <p>In addition, the country may decide to join bilateral agreements, such as with the future US climate regime, and/or join “conventions” that guarantee rational business practices and dispute resolution like WTO or NAFTA.</p>
<p>b) Commitment and momentum towards REDD capacity building</p>	<p>Countries may be more or less proactive in terms of engaging and promoting climate change mitigation through REDD. One of the first processes worldwide was the World Bank’s Forest Carbon Partnership Facility (FCPF). 37 countries^{xi} have submitted proposals to the FCPF; however they are at different stages of readiness.^{xii} The UN-REDD program has also been set up to support readiness for REDD.</p> <p>Additional bilateral and multilateral programs that have been established or are in development include the Forest Investment Program, the Norwegian Climate & Forest Initiative, the Congo Basin Forest Partnership and Brazil’s Amazon Fund.</p>
<p>c) Long term plan and governmental commitment to REDD and sustainable development</p>	<p>Growth in population and the increasing demand for food, fiber and fuel are driving deforestation. Thus a critical question arises in evaluating the quality of any system for REDD compensation: will the compensated REDD achievements today be sustainable for the following decades in the face of the increasing needs of a growing population? Through legislation which enables participation, country authorities must perform realistic and effective long term economic planning when crafting their national REDD programs. Such plans must be credible in terms of realistic projections of demand for food, fiber, and fuel; the implications therein for agricultural productivity, food exports, and the pressures for land usage. The plans should also identify measures to address the drivers of deforestation and forest degradation.^{xiii}</p>
<p>d) Enabling climate change legislation and recognition of carbon rights</p>	<p>A country must have its own legislation, which enables it to participate in the International Climate Agreement. Such legislation should allow the country to make and execute national climate policy. Furthermore, laws related to natural resource management should not be contradictory in terms of treatment of the environment in relation to unsustainable land uses.^{xiv} In addition, it has to determine and recognize carbon rights (see also Section 2, point 2b).</p>

Category	Description
e) Clear policy related to REDD activities at governmental and sub-national level	It is important that countries clearly outline their policies with relation to REDD activities moving forward, to provide a framework for the implementation of REDD-related activities. This framework should outline activities at national and sub-national level that will be eligible within the national REDD program.
f) Support for investment in REDD and for early action	The Bali Action calls for early action projects and readiness activities. This will help countries to develop national strategies, strengthen domestic institutions, pilot approaches and build capacity. Funding to support these activities must be incorporated within the UNFCCC, including pre-2013 (as outlined in Section 1, points 1c and 1d).

Requirement #2 - Establishment of institutions and regulations to govern REDD activities at national level

Category	Description
a) Institutional framework to govern and support planning, approval, execution, and financing of REDD programs	In order for REDD activities to take place in a coordinated way, host countries will need to establish dedicated focal point agencies to deal with this subject at the national level. Such a Focal Point should serve the role of coordinating all national REDD activities, disseminate information, and accept or reject projects and/or investments. The focal point should be the entry point of communication with domestic and international interested parties. The appointment of a focal point for climate change activities is a requirement for participation in the CDM (i.e. in the form of the Designated National Authorities, DNAs). Such DNAs could play the role of focal point for coordinating REDD activities in many countries.
b) Legal and Regulatory framework to govern planning, approval, execution, and financing of REDD programs	Such a framework should include a climate change and REDD plan at the national level, rules for participation, definitions on the eligibility of sub-national activities, definition on acceptance or not of market links and early action, rules for MRV, as well as issues related to recognition of <u>Carbon Rights</u> , including: <ul style="list-style-type: none"> • Determining carbon rights, and any relationships with other resource rights / tenure systems (including both legal and customary tenure). • Adequate clarification of land and other relevant resource rights so that carbon rights can be exercised. • Non-objection to or clarification of rules on carbon rights transfers. • Specific laws governing establishment and exchange of REDD units/credits. Legislation/regulation allowing and/or promoting the concept of payment for environmental services (e.g., conservation concessions) may also be desirable.

Category	Description
c) Clear policy on revenue sharing with primary stakeholders and forest-dependent peoples	Such Procedures should include free, prior and informed consent and participation of local stakeholders in order to be truly sustainable. Local and indigenous communities are unlikely to support REDD strategies unless they receive economic and social benefits. The legal rights to be informed and to participate in making decisions that will impact forest communities will be crucial to the legitimacy and sustainability of those decisions.
d) Foster necessary public and private sector support	<p>The existence of such support can help spur investment in REDD activities. Governments should therefore foster <u>local</u> intellectual, technical, social, environmental, financial, legal and commercial capacities to execute REDD activities. This should include encouraging Independent Validators and Verifiers (see also Section 1, point 2d).</p> <p>In addition to the above, public sector organizations, academic institutions, NGOs, financial institutions (e.g. BNDES or BOVESPA in Brasil), are needed to support with data availability or collection, MRV, social involvement, environmental elements, and carbon registries.</p>

Requirement #3 - Adequate legal protection for Social and Environmental Concerns

Category	Description
a) Enforceable forest law	<p>A reliable and transparent system of treating land ownership and use is required to enable investment in the development of activities that prevent deforestation and forest degradation. Otherwise, one could initiate an activity in an area that is subsequently changed to another use or ownership.^{xv} Additionally, any land use rights of indigenous or community uses have to be clear, so that any activity does not interfere in these rights and uses but instead integrates with the plans and aspirations of the users/ stewards of the land (see also Section 2, point 3b).</p> <p>The host country also needs sufficient capacity to enforce relevant laws, rights and tenure systems.</p>
b) Rights of indigenous / local communities	For a REDD program to be truly sustainable, the host country must abide by relevant international agreements, including the U.N. Declaration on the Rights of Indigenous Peoples and ILO Convention 169 .
c) Compliance with other international agreements and treaties	The country should also comply with other international processes related to environmental issues, including The Convention on Biodiversity .

Requirement #4 – Measurements, Reporting, Verification (MRV) infrastructure and information systems

Category	Description
<p>a) Institutional arrangements to coordinate MRV</p>	<p>Such institutions should include a Focal Point (See Section 2, point 2a above), a national carbon registry, and a dedicated monitoring agency.</p> <p>A National Carbon Registry would have the authority to receive, maintain, and report data and any resulting carbon credits – i.e. to serve as a clearing house.</p> <p>A monitoring agency should be in charge of collecting and analyzing data on land use trends and other elements to the appropriate/required levels. It should, ultimately, set up national baselines and accounting frameworks (see also Section 2, point 4b).</p>
<p>b) National accounting framework to monitor changes in emissions and / or carbon stock, and to track intra-national leakage and permanence</p>	<p>The country’s MRV system should enable the quantification of emissions reductions at the national (and potentially also at sub-national) level, through determining forest loss/gain, any possible leakage, and permanence of forest carbon stocks.^{xvi}</p>
<p>c) Technical capability and data management capacity for detecting land use change, carbon stocks</p>	<p>To prepare for REDD activities, countries must either create or acquire the technical and data management capabilities to conduct REDD activities. Such capabilities should be installed in phases.</p> <p>For example:</p> <ul style="list-style-type: none"> • <u>Planning Phase:</u> <ul style="list-style-type: none"> – General information on deforestation rates, biomass, social economic activities, etc., available at academic or government institutions. • <u>Preparation Phase:</u> <ul style="list-style-type: none"> – Mapping of sub-national deforestation rates. – Zoning of biomass density, biodiversity and social-economic activities in different forest areas. – Zoning of REDD priority areas (including HCV assessment). • <u>Execution Phase:</u> <ul style="list-style-type: none"> – Ability to establish national reference levels to quantify performance results. – National baselines and accounting frameworks. – Possible sub-national baselines and accounting frameworks.^{xvii}

Requirement #5 - List of Political & Economic Factors conducive to long term investment in REDD

Category	Description
<p>a) Clear and supportive treatment of Long Term Investment</p>	<p>To instill confidence, an adequate macroeconomic environment in the host country is required. This implies the creation or existence of:</p> <ul style="list-style-type: none"> • Laws governing commercial transactions <ul style="list-style-type: none"> – Protection of investor rights for settlement of commercial disputes, such as arbitration mechanisms and procedures – Contract enforceability • A free and impartial judiciary • Adequate law enforcement • Revenue share (i.e. carbon taxation by the government) that is not too onerous • Trade restrictions and conditions • Licenses to operate as a foreign investor/operator • Permit inward investments, outward repatriation of profits
<p>b) Adequate transparency and governance</p>	<p>Transparent and effective governance will create greater certainty for long term sustainability of REDD. Considerations which enter into this are:</p> <ul style="list-style-type: none"> • Professional, trained bureaucracy to deal with REDD implementation and monitoring/reviewing. This includes the judiciary system, law enforcement, investment protection, forest laws, and social rights. • Low levels of corruption at various ranks in the government. • Clear and transparent regulations promulgated through an effective national REDD framework.
<p>c) Political stability</p>	<p>Stable governments will ensure that REDD programs and national commitments remain socially or politically sustainable. Such actions would engender the confidence of those actors funding REDD, and reduce the risk of any severe economic liabilities for the country.^{xviii}</p>
<p>d) Reasonable economic stability for long term investment in REDD</p>	<p>The macroeconomic environment of the host country will have a significant impact on REDD. Reasonable inflation rates, stable exchange rates, positive economic growth, and adequate availability of resources (especially land) and infrastructure^{xix} are vital.</p> <p>Also important is whether the country is moving towards WTO membership and full participation in the global trade regime.</p>
<p>e) Fiscal policy supportive of REDD</p>	<p>Fiscal policy stability and coherence are essential elements of long term financial planning. The prospects of unexpected changes may create uncertainty and barriers to funding for REDD. In particular, the host country must carefully design tax rates, and specific provisions for environmental, climate or forest-related activities.</p>

ⁱ WWF-International’s position is that countries have to agree to a treaty which is ambitious enough to avoid climate change, by staying well below a 2 degree rise in average global temperature. It must be Fair, Ambitious, and Binding.

WWF asks governments to:

- Agree to a strong, legally binding climate regime for the period after 2012, by amending the Kyoto Protocol and agreeing to a new Copenhagen Protocol;
- Ensure that global carbon emissions peak by 2017 at the latest and decline quickly thereafter, with an aim to cut global emissions by at least 80 percent below 1990 levels by 2050;
- Agree to decarbonise developed country economies by 2050 and to reduce their emissions by 40% below 1990 levels in 2020 as a first step;
- Facilitate the transition to low-carbon economies in developing countries by providing 160bn USD annually as financing for mitigation and adaptation and by providing access to clean technologies;
- Support immediate action for climate change adaptation in developing countries;
- Support a zero net deforestation target by 2020.

ⁱⁱ Some proposals have suggested this stage be broken down further into phases 2(a) and 2(b), for example the preliminary report of the [International Working Group on The Interim Finance for REDD](#) (IWG-IFR).

ⁱⁱⁱ Early market involvement is more controversial because of concern about leakage for activities conducted prior to the point that national accounting and monitoring systems are in place. WWF believes that market offsets should only be generated by countries that have reached phase 3. Others have proposed allowing early action offset credits for a limited period or banking them for later use in a future compliance carbon market once a country reaches phase 3; while some propose that REDD should never be used as an offset.

^{iv} By “international compliance regime” we refer to the framework developed under a new agreement pursuant to the UNFCCC where developed countries take on emission reduction commitments and financing commitments with binding obligations. Based on experience under the Kyoto Protocol, this compliance regime will likely include the use of Assigned Amount Units (AAUs) to track emissions targets as well as some form of flexible mechanisms, such as market based offsets. WWF is calling for additional commitments from developed countries in the form of financial and technical support provided to assist developing countries to achieve mitigation and adaptation actions. These elements of a compliance regime provide the opportunity to generate financing for REDD – through commitments to provide financial support and through market based offsets. National or multi-country compliance regimes / domestic policies and legislation (such as the EU emissions trading system or a future US ETS) will likely be used to implement countries’ obligations under the new Copenhagen agreement. Voluntary programs, such as the voluntary carbon market, philanthropic funds or voluntary funds from developed countries, would not constitute a compliance regime.

A “compliance market”, in turn, refers to a regime of purchase and sale of instruments that can be used for meeting the emission reduction obligations of the buyer, be it a government or a private sector entity, thereby generating financing for the emission reductions in developing countries. It is expected that significant amounts of private sector finance could be harnessed if REDD was linked to compliance markets. Voluntary emission reductions, in contrast, are those that are not used for meeting any emission reduction obligations, i.e., are not used for compliance purposes.

^v WWF has proposed the creation of a Copenhagen Climate Facility, to facilitate and oversee implementation of a post-2012 agreement, including verifying emissions reductions and channeling most funds from industrialized countries’ support obligations.

^{vi} There are many existing systems that might be drawn on for experience when drafting such guidelines, such as the [CDM](#), [EU Emission Trading Scheme](#) (ETS), [Chicago Climate Exchange](#) (CCX), and the [Montreal Protocol](#).

^{vii} These concerns include in-country leakage and difficulties in determining additionality,

^{viii} While national accounting is important, it will likely be necessary for activities to be implemented at sub-national and project level, within the national REDD program, and for benefits to be distributed to the local level. A “nested” approach has been proposed as one option.

^{ix} Such MRV activity will depend on the scope of REDD or REDD+ activities implemented. MRV systems should also cover broader elements than just carbon, for example, measuring impacts of REDD programs on biodiversity and social values.

^x It is most likely that such MRV methodology will be based on baseline-and-credit approaches (or a combination of stocks and flows). This would require capacity to determine baselines, additionality, leakage and permanence.

^{xi} As of March 2009

^{xii} Most countries have only completed the first stage in the proposal development – the Readiness Project Idea Note (RPIN).

^{xiii} Demand-side measures in developed countries are important to complement a REDD mechanism and these long term plans in developing countries.

^{xiv} Cameroon for example, has legislation and regulations on how revenues from logging concessions are to be shared transparently (according to formula) among central and local government and local communities.

^{xv} In the case of countries that allow for private ownership, there is a risk that this might be changed (i.e. expropriation). It is important that the land registry must be clear (in many cases it is unclear or there is double counting / multiple “owners”). In countries where land is owned by the state, it is necessary to understand the system of allocation of land use – and other resource - rights, and to what category of land does the area belong.

^{xvi} In addition to the national accounting framework, sub-national accounting frameworks may also be put in place to help determine emissions reductions achieved within distinct areas of the national program, for example, to assist in determining benefit distribution.

^{xvii} Glossary of the terms is available on the [CIFOR website](#).

^{xviii} Pertinent questions on the political environment in the host country include:

- How stable and conducive to long term REDD activities?
- What is the level of political representation of different groups in the country?
- Are there any tensions between different groups, particularly with relation to rural vs. urban communities?
- Any land tenure conflicts?

^{xix} Important infrastructure considerations include road network expansions, and development of new industries (particularly agriculture and commercial forestry/logging).

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