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REDD Offset Working Group Recommendations for Linkages with California Cap-and-trade Program

Tony Brunello, Green Technologies Leadership Group

Daniel Nepstad, Amazon Institute of Environmental Research

Ludovino Lopes, Consultant to the Secretary of Environment for the State of Acre

6 February 2013

Agenda

Overview of ROW Recommendations

Tony Brunello, Green Technologies Leadership Group

Jurisdictional REDD+ and California's Climate Solutions Act

Daniel Nepstad, Amazon Institute of Environmental Research

REDD+ and the Brazilian Context

Ludovino Lopes, Consultant to the Secretary of Environment for the State of Acre

Questions & Answers

Webinar Logistics

Asking questions

- Either during presentation or Q&A period at end
- Raise hand (click hand symbol in top left corner of pane)
- Type questions into '**Chat**' box near bottom of your webinar pane
- Questions will be directed to appropriate person during Q&A period at the end

Webinar will be recorded

- Both the presentation and a link to the recording will be sent to all registered webinar participants

REDD Offset Working Group

Overview of Recommendations

Tony Brunello

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February 5, 2013

ROW Process



February 2011 → Beginning of ROW process with multiple meetings

Jan-April 2013 → Draft report released, 3 public workshops to be held at Stanford, UCLA and UC Davis

May 2013 → Final report released with changes based on public comment - end of ROW

ROW Process

States Formal Processes

**Formal Regulatory Processes
(Dates not determined)**

California

Acre

Chiapas

ROW Participants

- IPAM – Amazon Institute for Environmental Research
- Climate Action Reserve
- Environmental Defense Fund
- Stanford University/Carnegie Institution for Science
- The Ford Foundation
- The Nature Conservancy
- University of Colorado Boulder Law School
- Conservation International
- ProNatura Sur
- Green Technology Leadership Group

ROW Focus

1. What legal and institutional mechanisms are required to enable cap and trade programs like California to recognize international REDD-based offsets for compliance purposes?
2. What are the key policy considerations a REDD+ program should address to achieve the level of performance needed for California to recognize the REDD-based offsets for compliance purposes?
3. What should be the basis for judging the performance of the states in reducing carbon emissions from deforestation and forest degradation or increasing carbon removals by forests?

KEY POINT - Jurisdictional REDD+

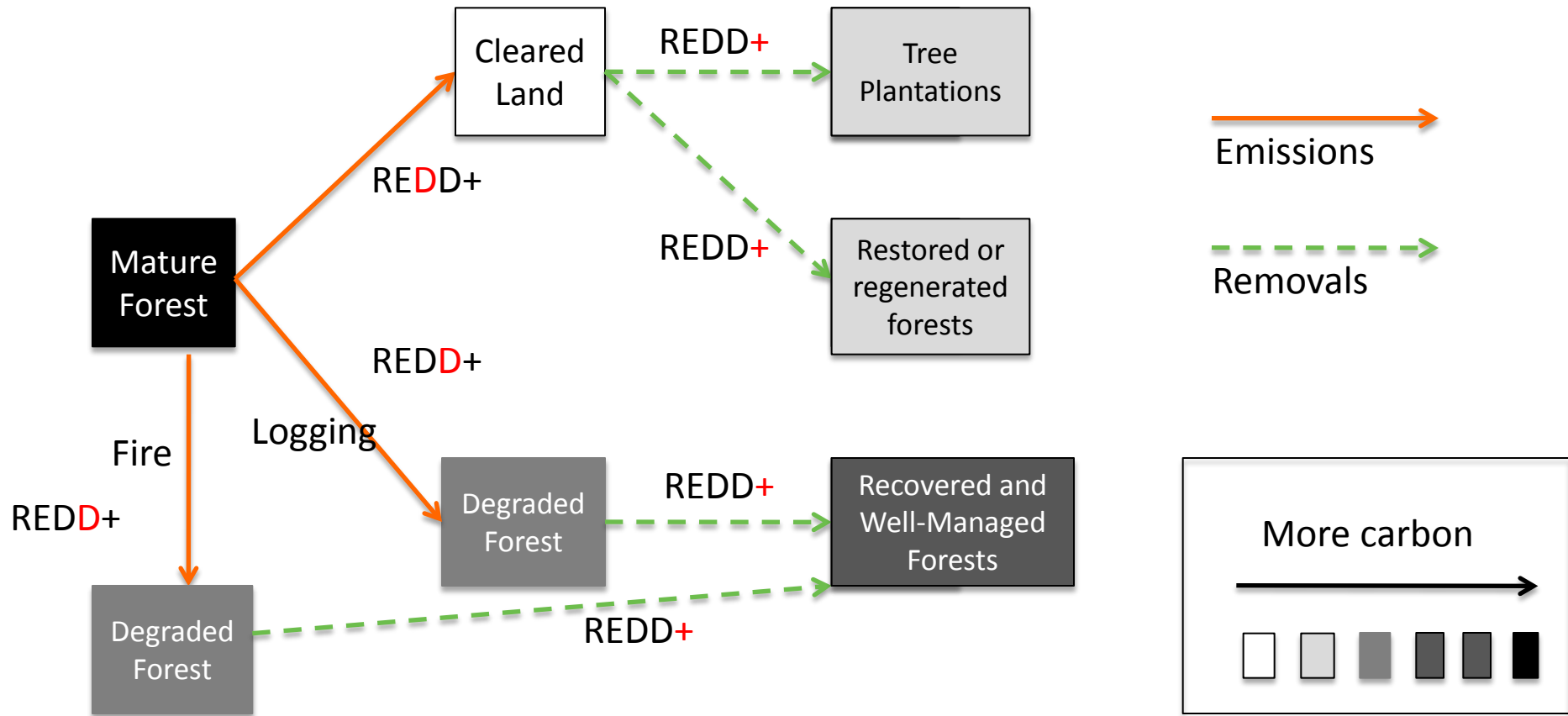
- Reductions achieved across an entire state or province
- Individual REDD+ projects incorporated in, and accounted for, under jurisdictional REDD+ program
- Jurisdictional REDD+ seeks large-scale changes in the rural development through policy alignment, institutional innovation, and through mechanisms for attracting private sector investment

Jurisdictional REDD+ and California's Climate Solutions Act: Overview

Daniel Nepstad, PhD
Director & Senior Scientist
International Program

February 6, 2013

REDD+ = Reductions in Emissions from Deforestation and Forest Degradation (+ removals)



REDD+ = Deforestation

REDD+ = Degradation

REDD+ = Carbon Enhancement

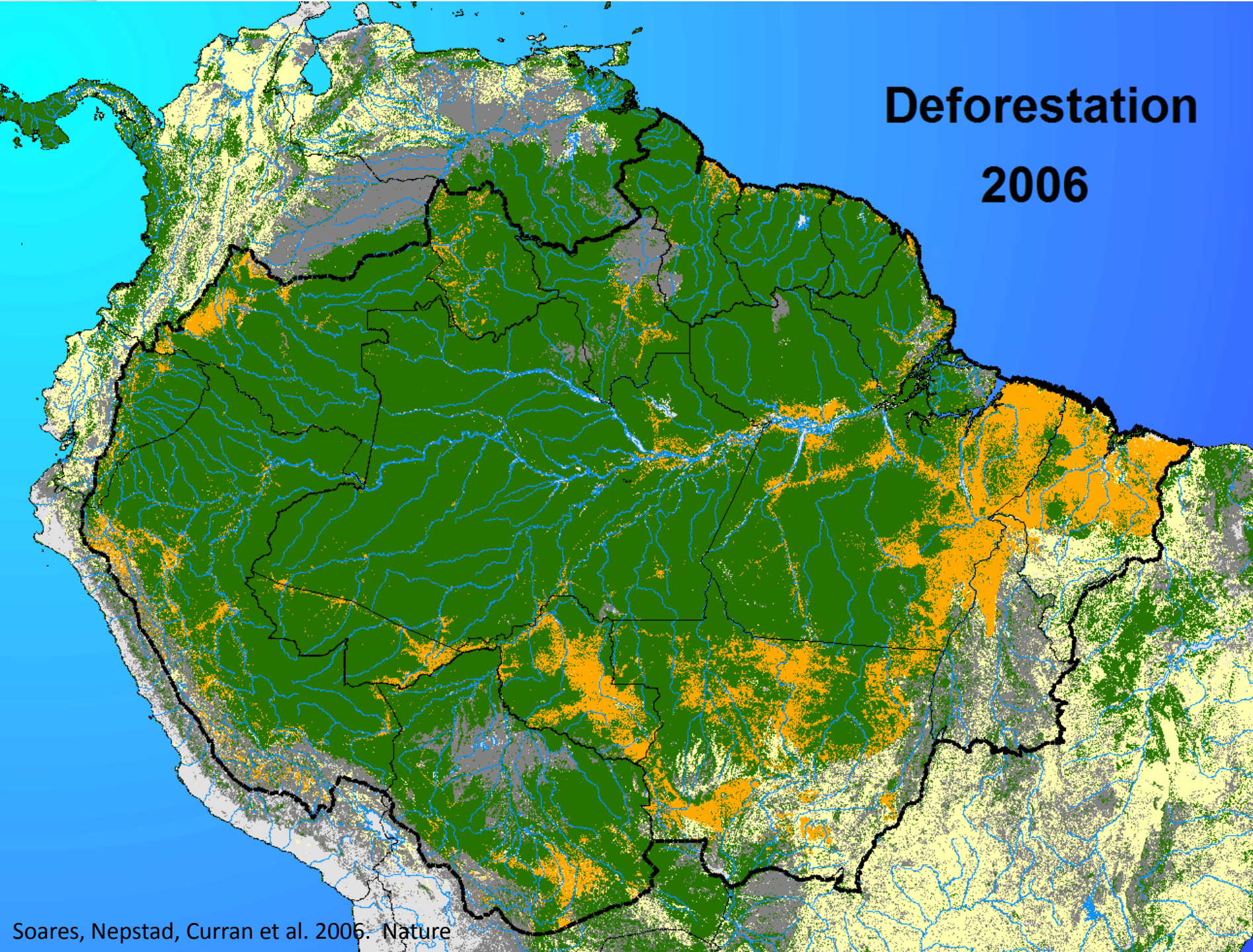
The State of REDD+

Unified global mechanism (via UNFCCC)
ten years away

Today: public finance (Norway, Germany, World
others)

Possible markets (California, Australia?) critical
source of hope

Deforestation 2006



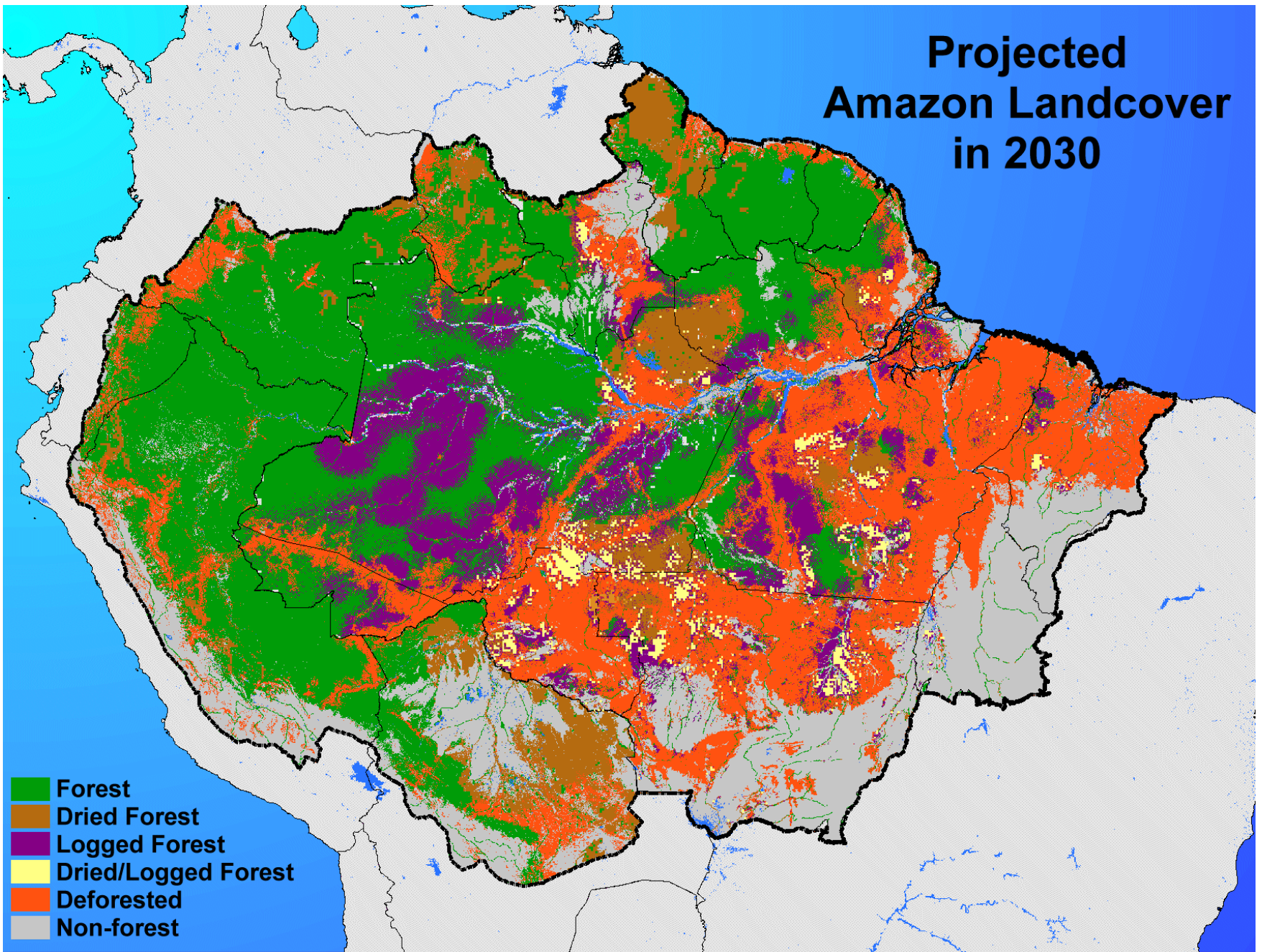
Degradation



Degradation



Projected Amazon Landcover in 2030

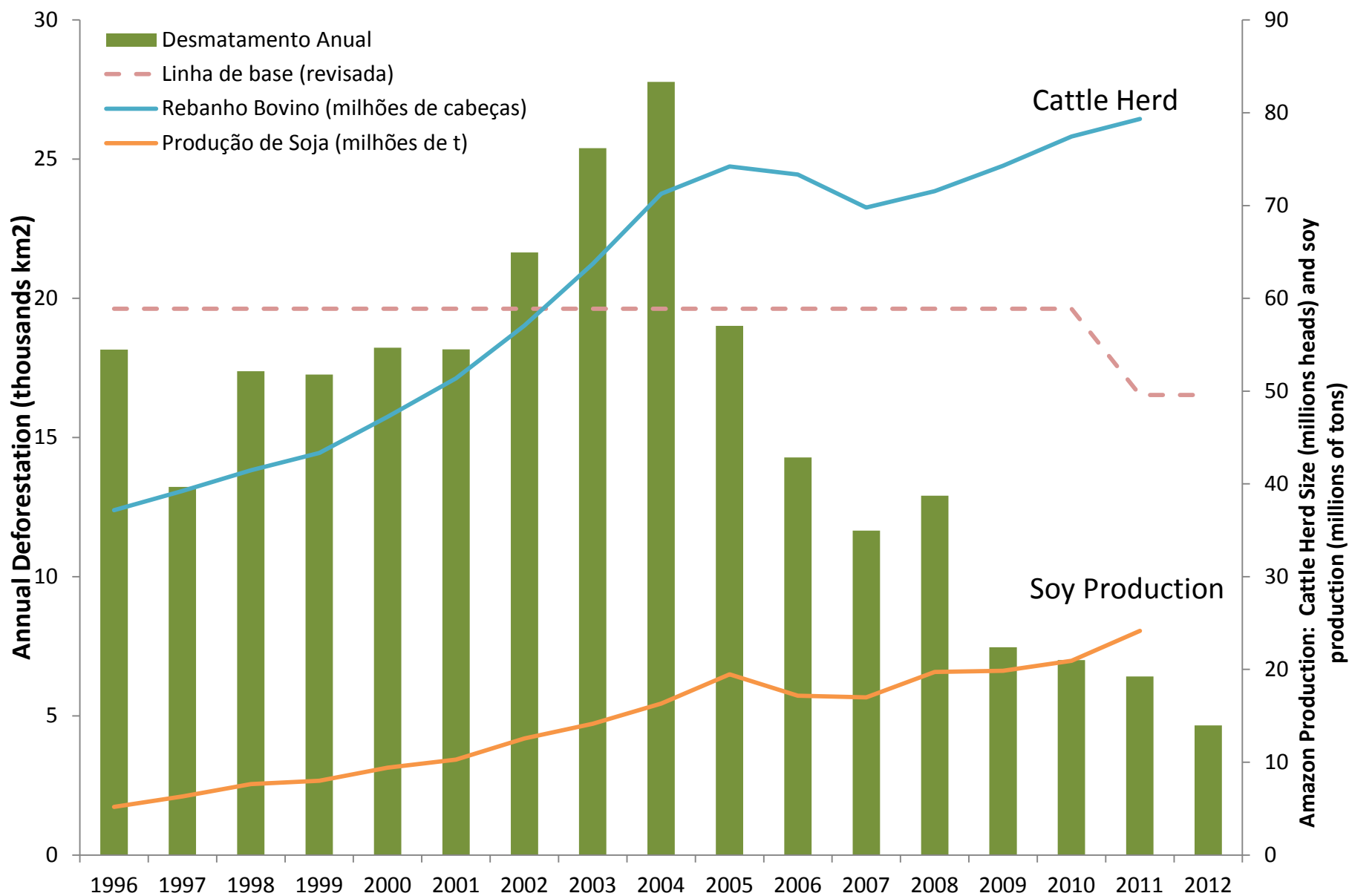




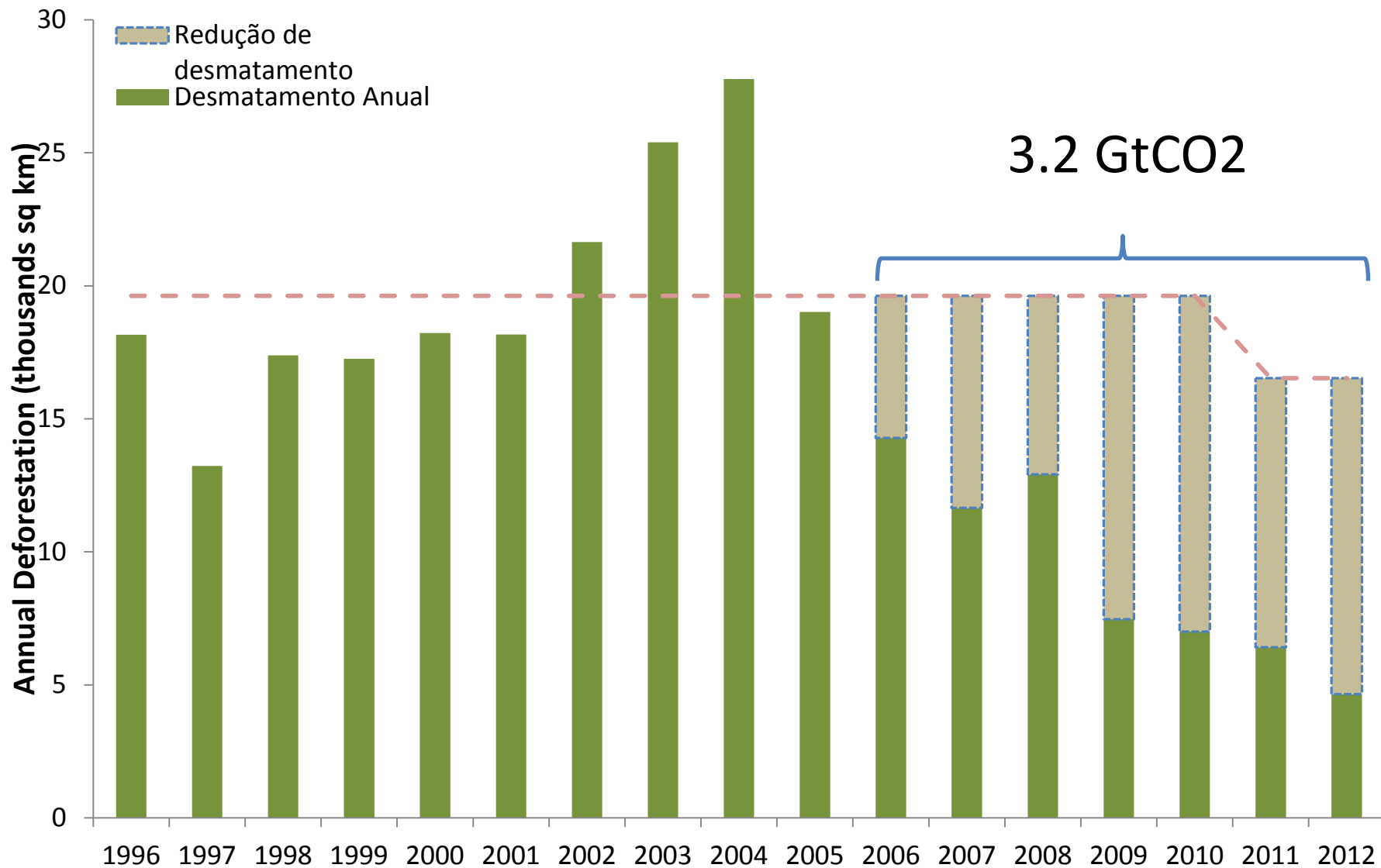
Deforestation and Forest Degradation:

~15% of global emissions

Proof of concept: the Brazilian Amazon

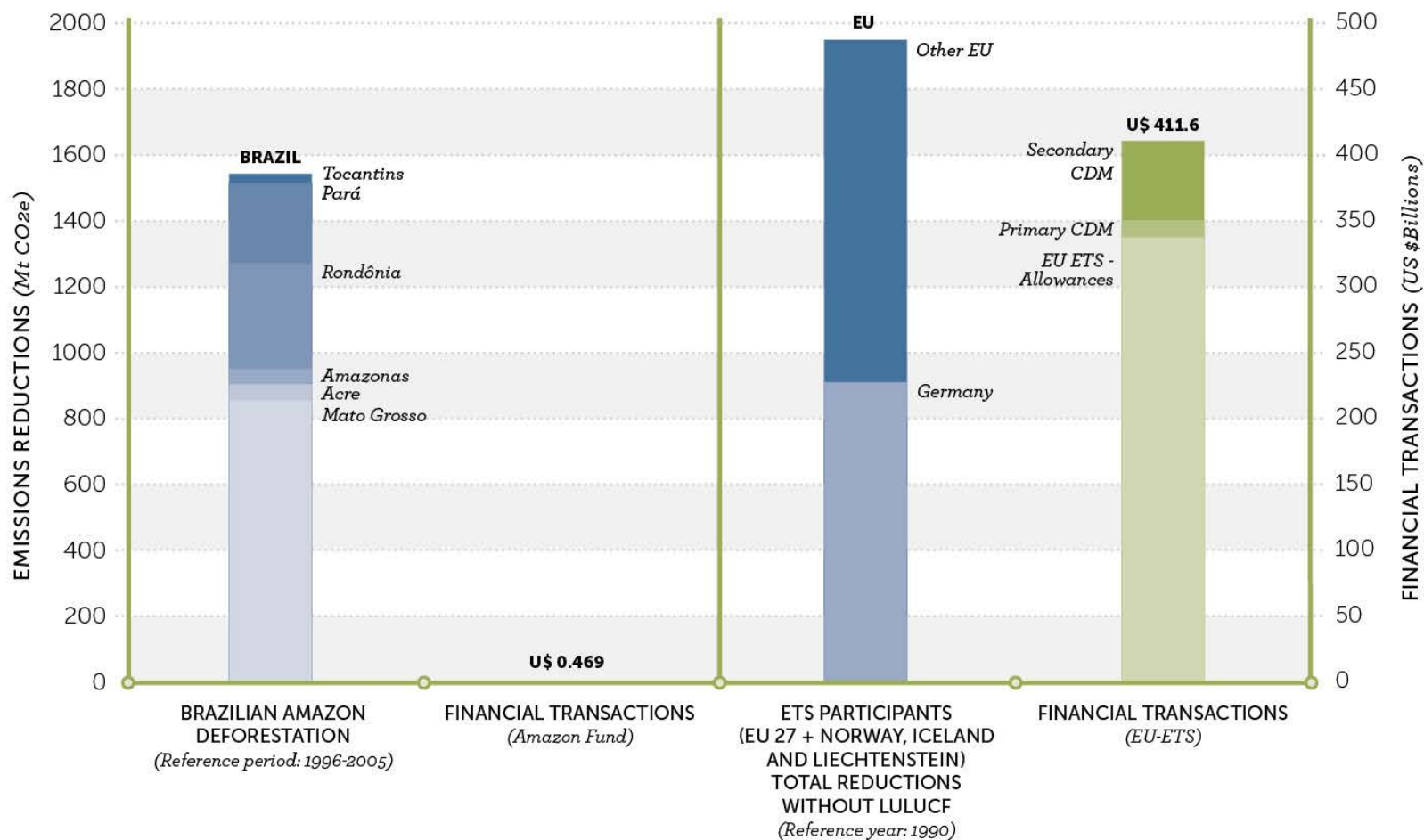


Emissions Reductions = 3.2 billion tons CO₂



EMISSIONS REDUCTIONS (CO₂) AND FINANCE

Brazilian Amazon and EU - ETS (Emissions Trading Scheme), 2008 - 2010



Principles of ROW Process:

Compatible with UNFCCC and national REDD

Focus on State-Level, Jurisdictional REDD

Workable for Partner Jurisdictions

Jurisdictional (“sectoral”) REDD+

A policy framework for a low-deforestation, low-emission, poverty-alleviating rural development model

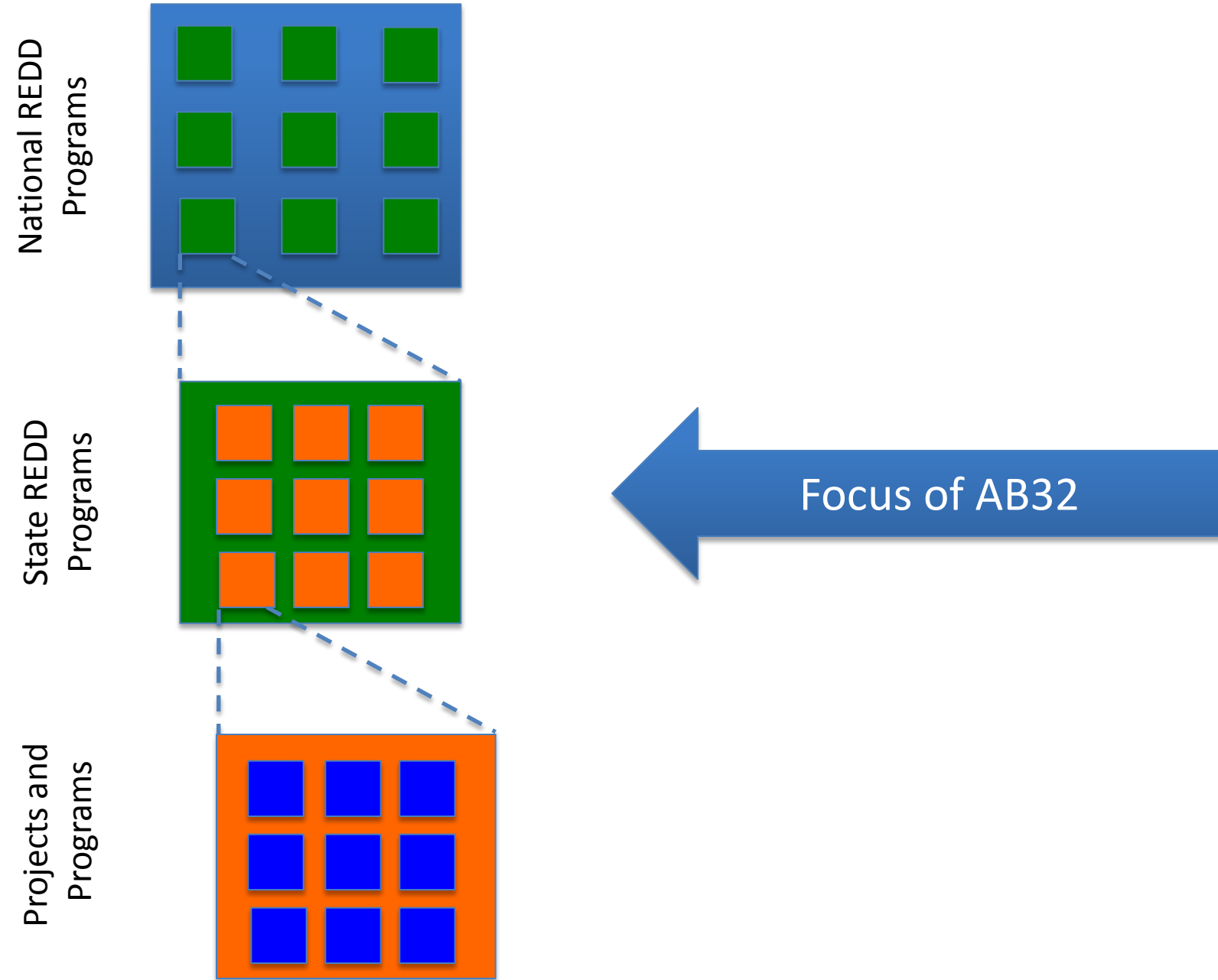
- Focus on “pay-for-performance” reductions in GHG emissions
- Across entire jurisdictions (nations, states)
- Policy alignment, law enforcement

Jurisdictional REDD+ vs. REDD+ Projects

- Large-scale vs. small-scale
- Govt Engagement; policy alignment
- Greater permanence; less leakage
- Lower transaction costs
- Allows for flexible, equitable distribution of benefits

But. . . jurisdictional REDD+ is difficult!!

Focus on Jurisdictional Performance, With Nested Projects Permitted





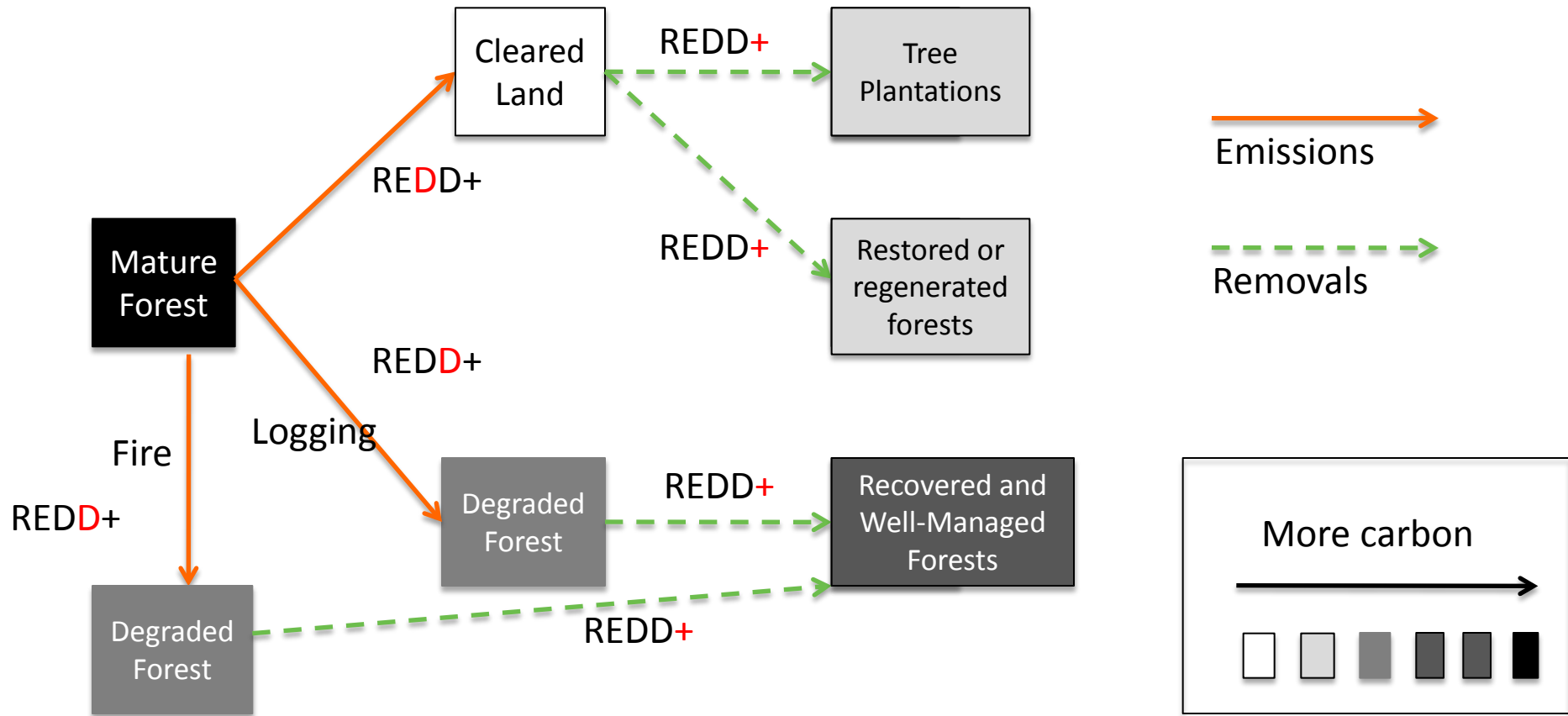
Nesting:

Sum of Project-Level Emissions Reductions \leq State-Level Emissions Reductions

$$ER_{\text{Proj 1}} + ER_{\text{Proj 2}} + \dots + ER_{\text{Proj X}} \leq ER_{\text{State}}$$

ER = Emissions Reductions

Scope: Which types of emissions should be included in AB32?



REDD+ = Deforestation

REDD+ = Degradation

REDD+ = Carbon Enhancement

Recommendation:

Deforestation and degradation required for entry

Carbon enhancement when the partner jurisdiction is ready.

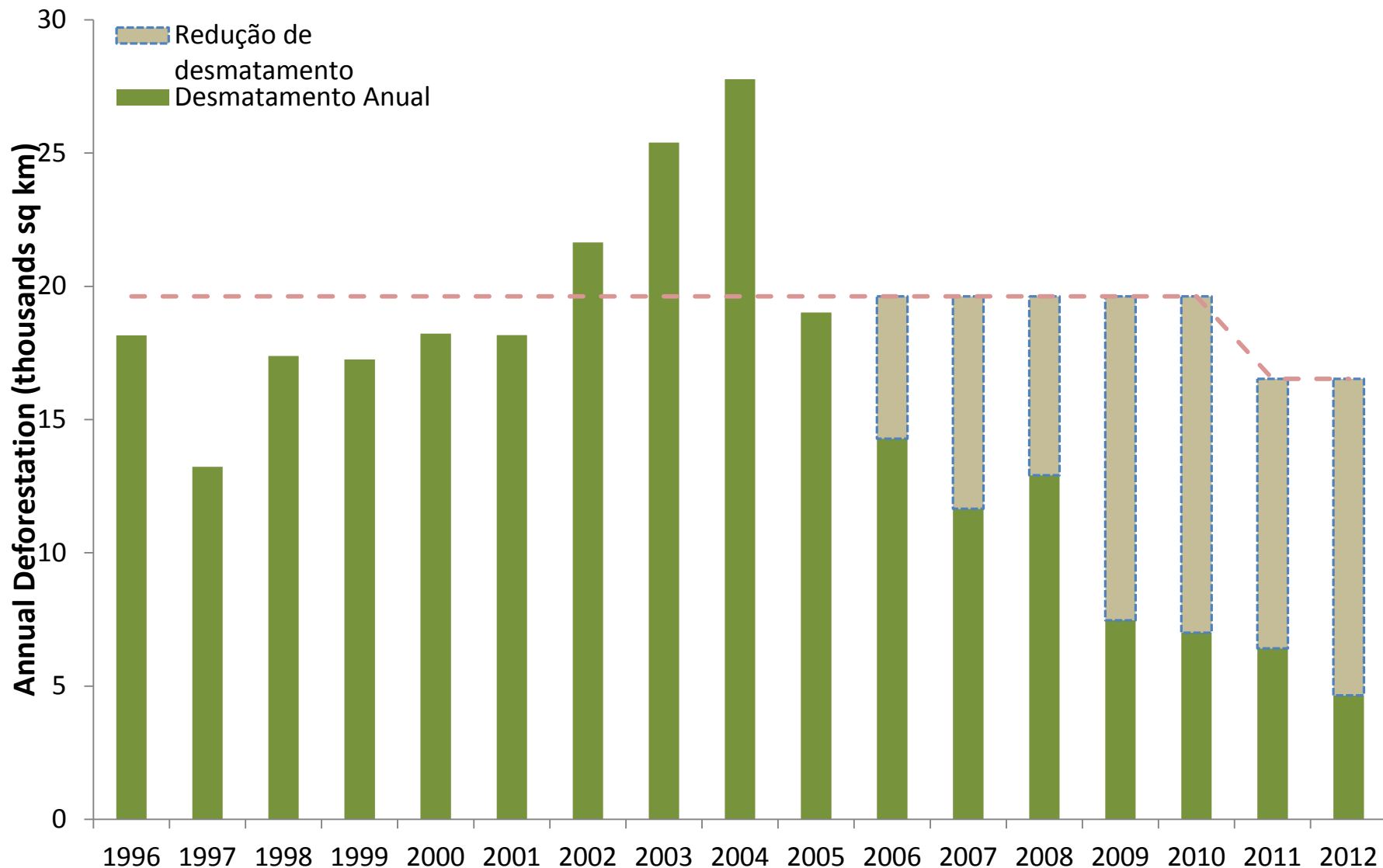
Most emissions
come from
above-ground
biomass: tree
trunks & branches

Recommendation:

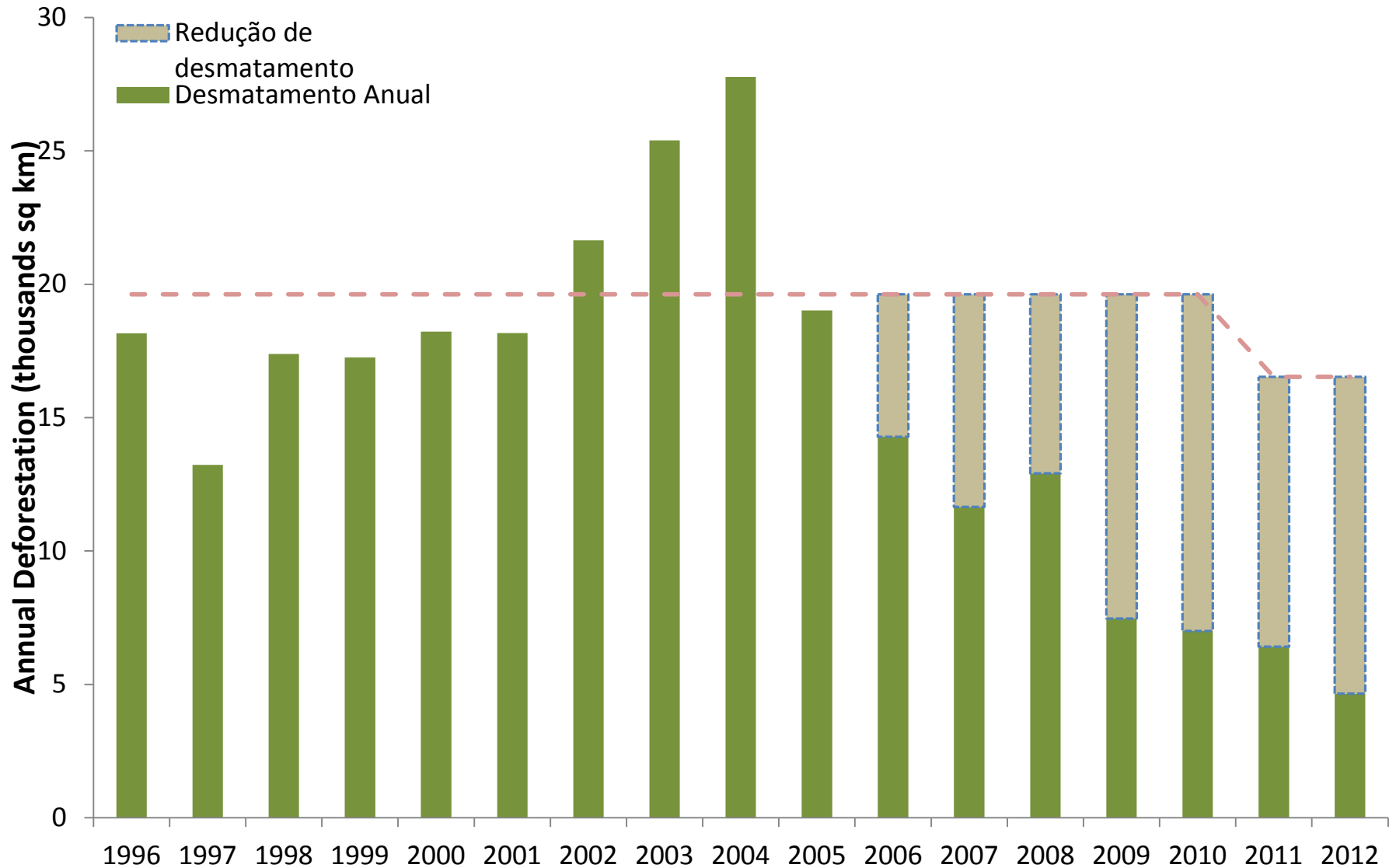
Focus on most
important
pools/fluxes



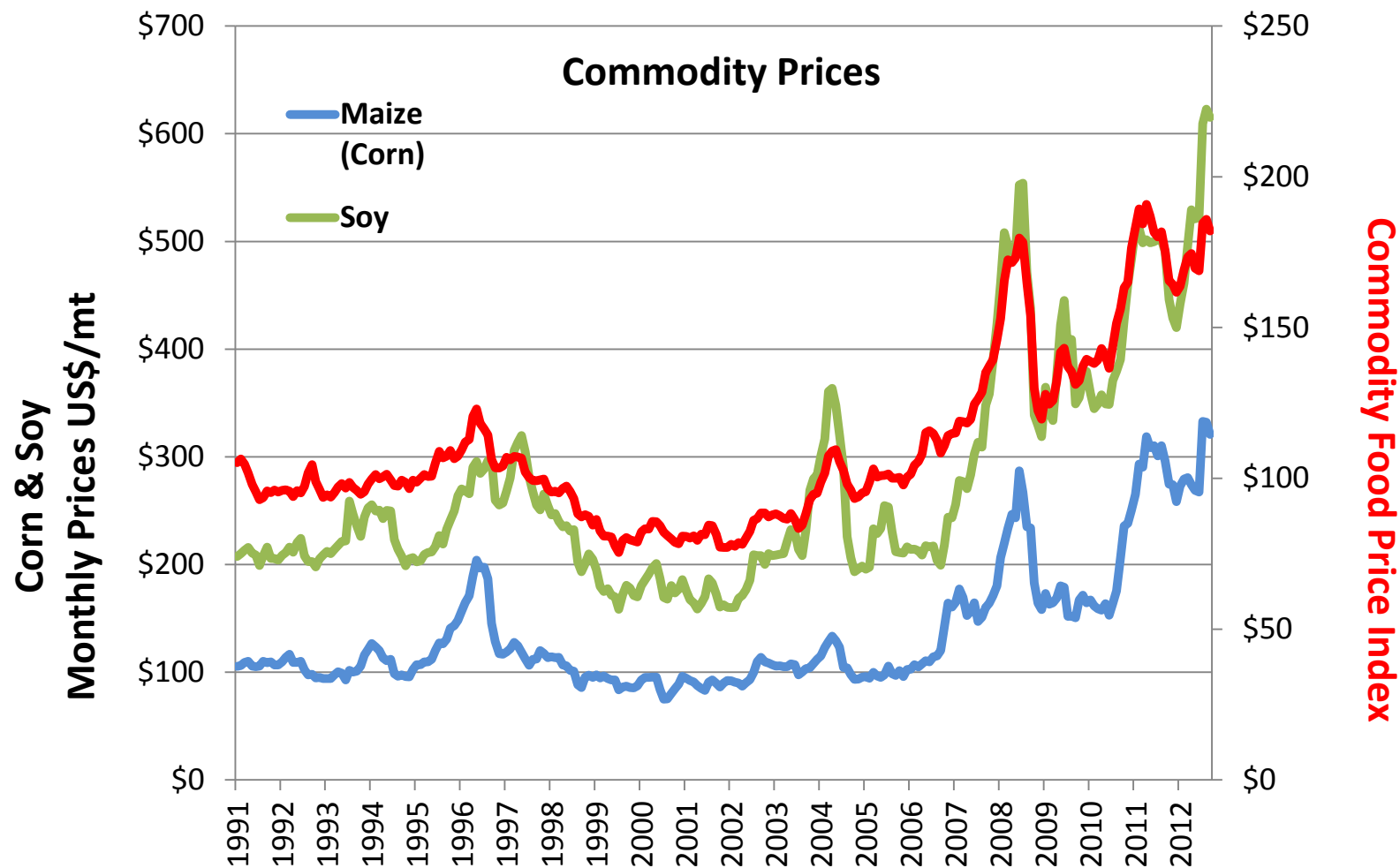
Reference Levels: Our Best Estimate of Business-as-Usual Emissions.



If Reference Level is Reliable, Additionality is Achieved



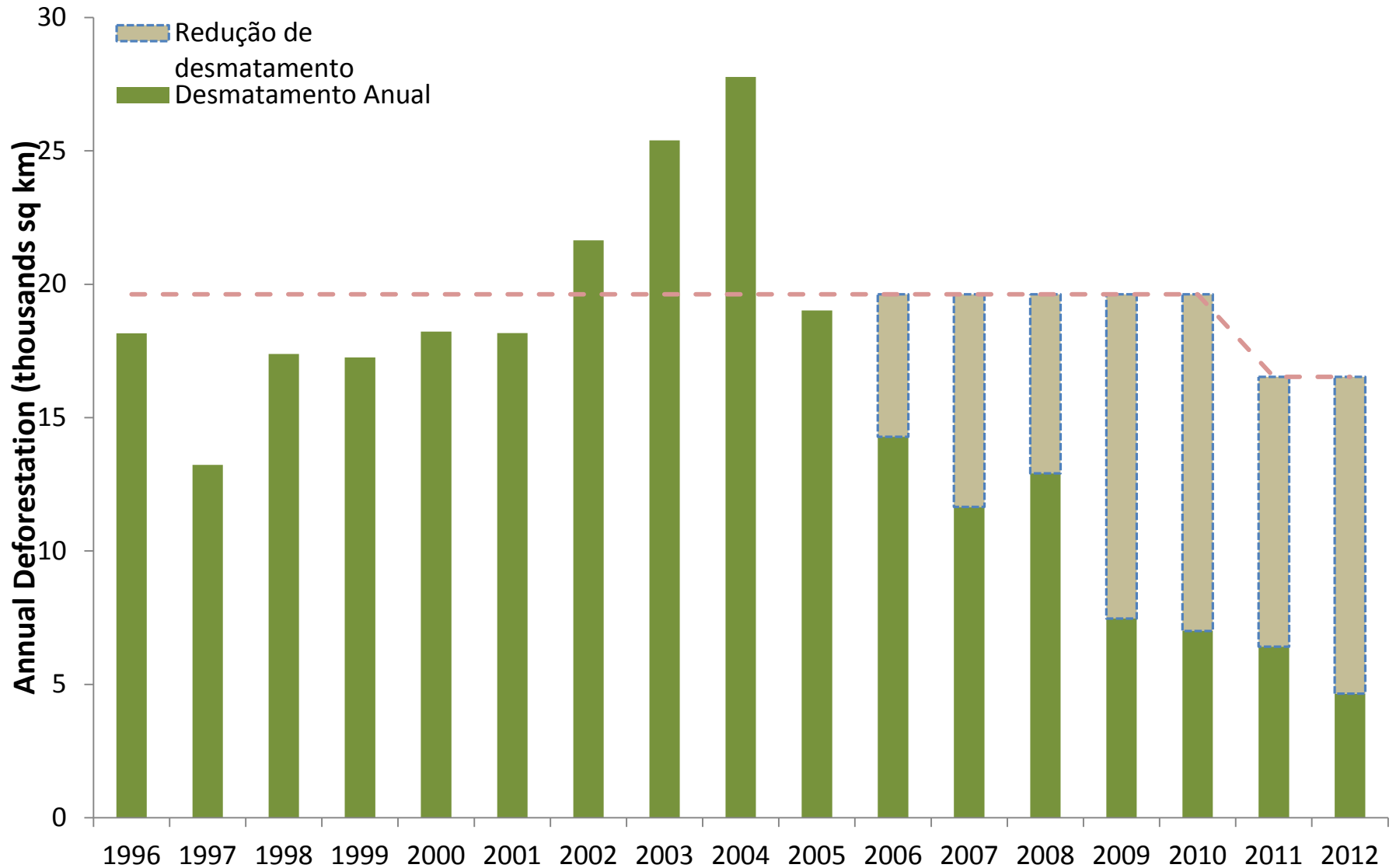
Tropical Deforestation Could Get Worse



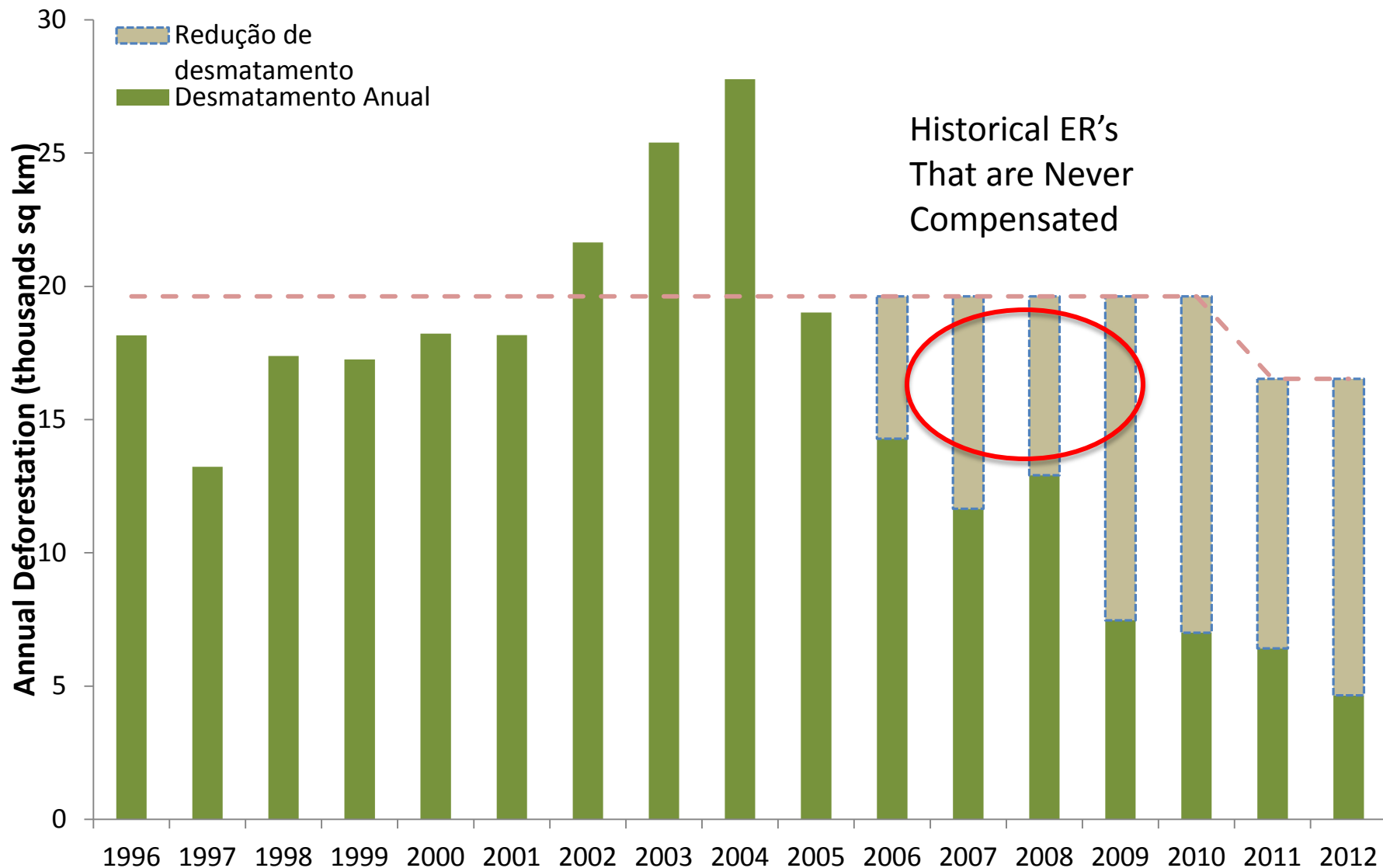
Recommendation

- Historical, 10-year average is a solid basis for Reference Level
- Adjustments to historical average should be permitted when rigorously justified

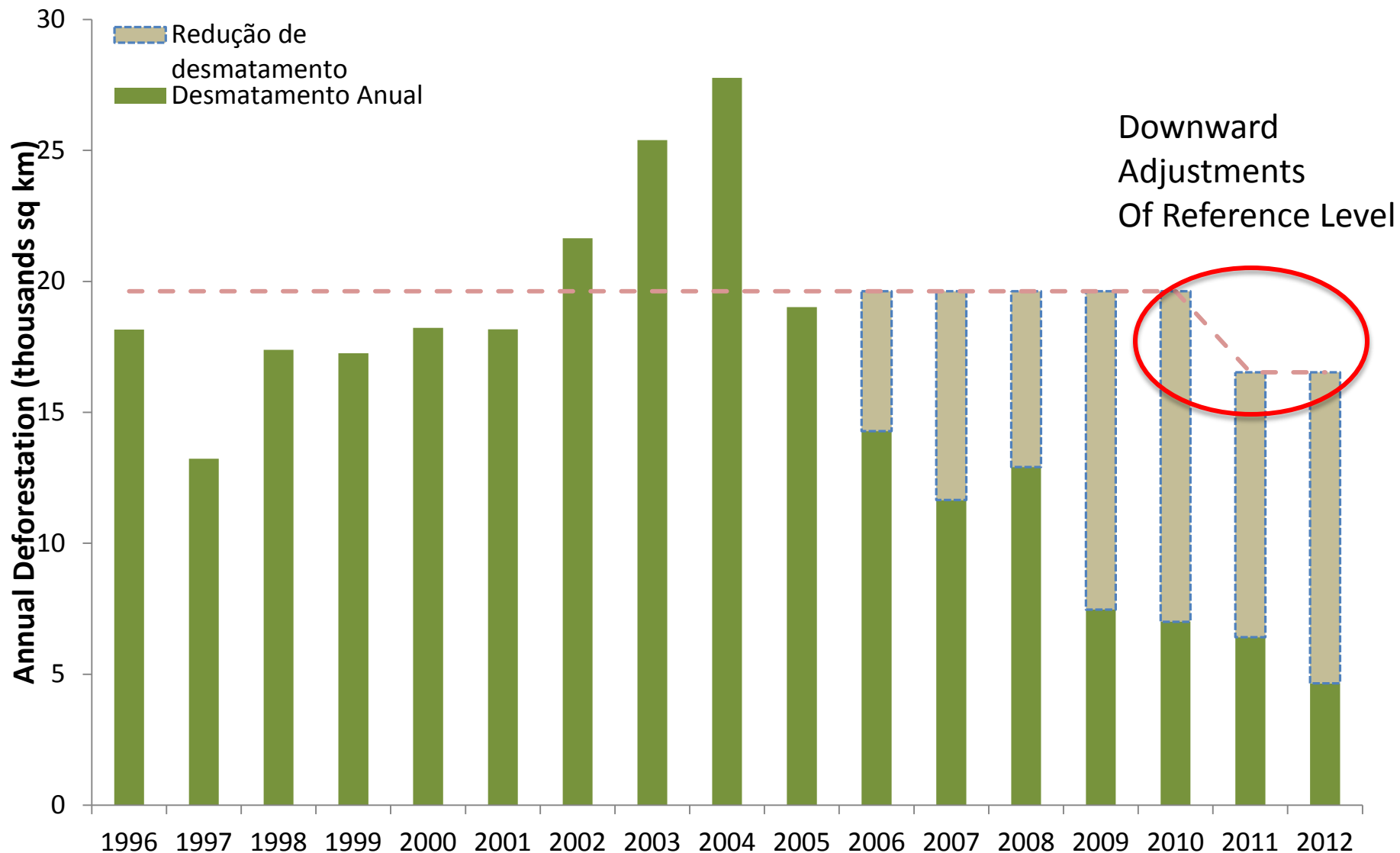
Partner Jurisdictions Can Demonstrate “Own Effort” in Many Ways



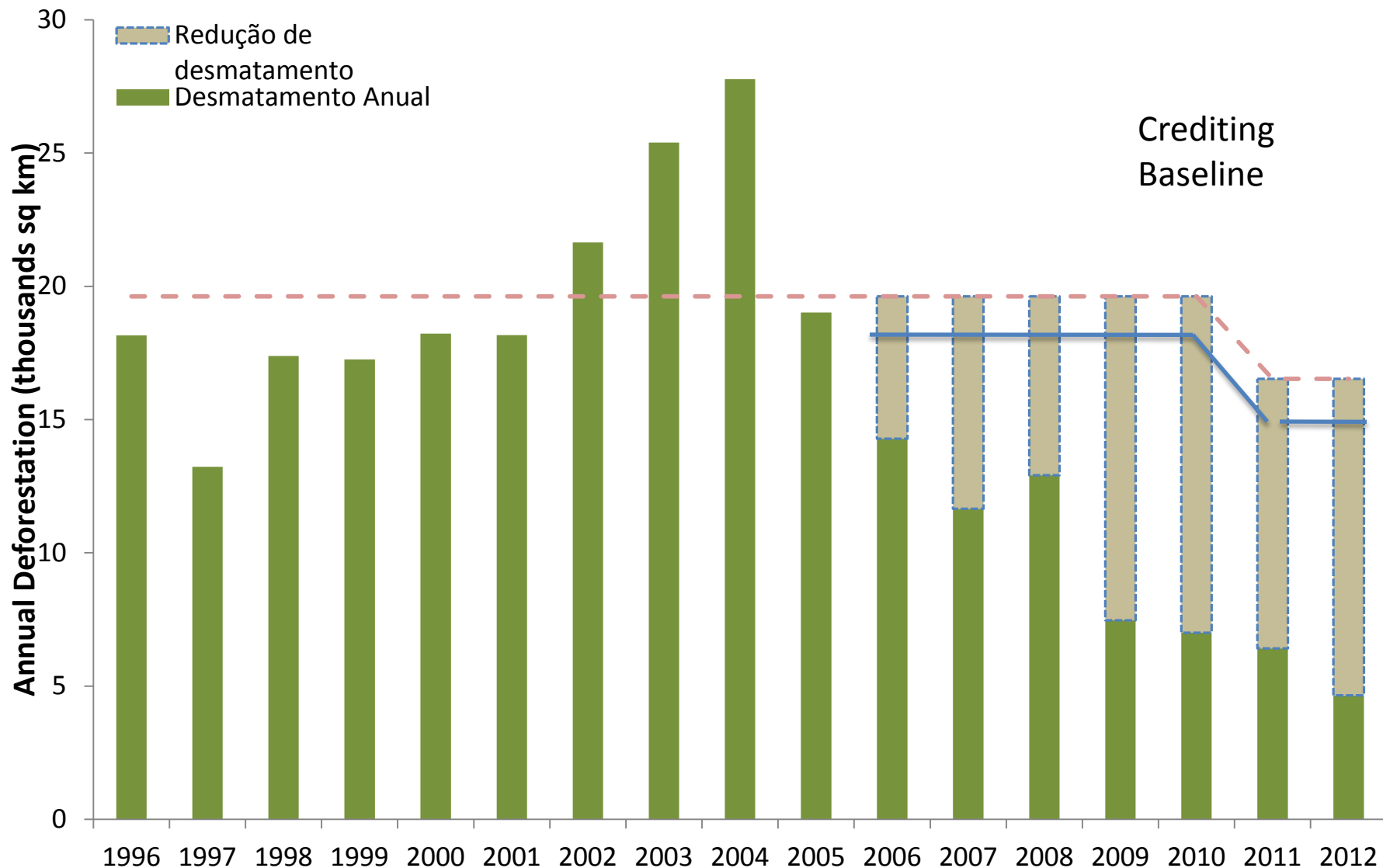
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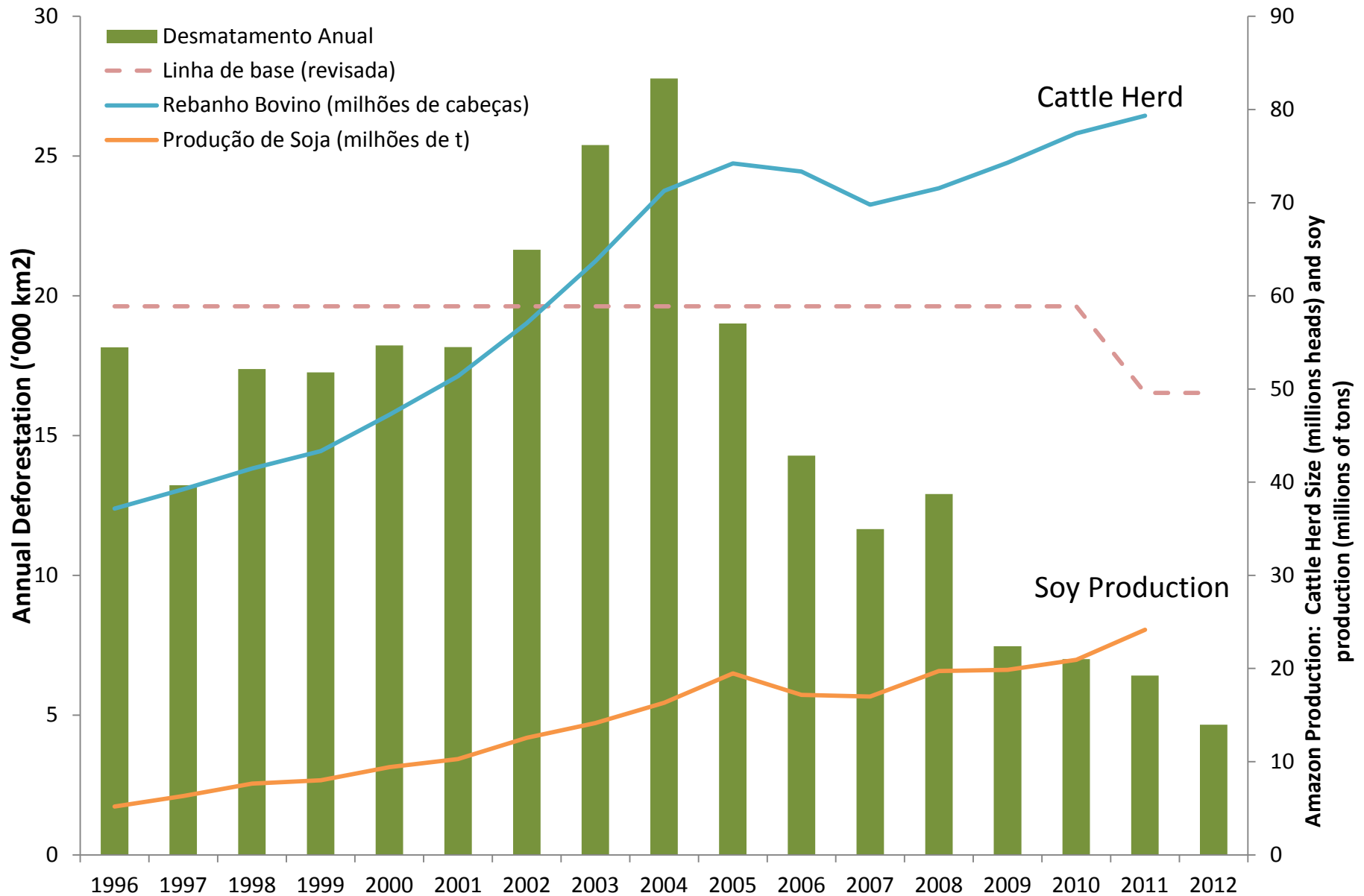
Recommendation

- Partner Jurisdictions should demonstrate “own effort”

Leakage

- Jurisdictional REDD+ has far less risk of leakage

Leakage can be reduced if agricultural and forestry production continues to grow



Recommendation

- Partner jurisdictions should continue to expand production at business-as-usual rates
- PJ's should establish systems for managing and mitigating the displacement of deforestation and degradation

Reversals

- Much easier to manage in jurisdictional REDD+
- By including both deforestation and degradation, most common causes of reversals (fire, logging) addressed systemically

Recommendations

- Mechanism is needed for compensating years when emissions rise above reference level
- Such reversals should be reported to CA Administrator
- Partner Jurisdictions should not be unfairly penalized for emissions from natural disturbances

The REDD+ Opportunity

Governors' Climate and Forests task force.

19 tropical states and provinces coming into alignment with California's cap-and-trade policy and other REDD finance mechanisms



Nepstad, Boyd, Azevedo, et al. 2012. Overview of state-based Programs to Reduce Emissions from Deforestation and Degradation (REDD) as part of GCF. EPRI

Questions?



Thank You!