

China Bets on Panda to Take a Bite Out of Land-Use Emissions (and Reduce Poverty)

By Molly Peters-Stanley

China generates the lion's share of global offsets under the Kyoto Protocol's Clean Development Mechanism (CDM), but it doesn't cap its own emissions. It does, however, have its own voluntary carbon standard – the “Panda Standard” – which was unveiled at last year's Climate-Change Conference in Copenhagen and is designed to drive domestic demand for forestry and poverty alleviation with a vehicle that is uniquely Chinese.

23 September 2010 | The voluntary carbon market may not by itself generate the volume of emission reductions necessary to slow climate change, but it does act as an incubator for market and project innovations. That's why China – long criticized by some for its refusal to commit to binding emission cuts at home while simultaneously cashing in on carbon credits for those reductions it does make – is building a network of voluntary environmental exchanges and energy-intensity pilot schemes that it says will serve as a testing grounds lay the groundwork for a more unified stringent compliance scheme.

A cornerstone of this effort is the **Panda Standard**, China's own domestic third-party standard for voluntary emissions reductions (VERs). It was introduced to the international carbon community at last year's Copenhagen Climate Summit. Since then, founders China Beijing Environment Exchange (CBEEX), Winrock International and BlueNext have been developing the standard's specifications and methodologies for agriculture, forestry and other land use (AFOLU) projects.

Land use generates more than 20% of all greenhouse gas emissions, which is why the Copenhagen Accord explicitly recognized the need to develop schemes that reduce emissions from deforestation and forest degradation (REDD). Schemes that reward good land stewardship make it possible for industrial emitters to reduce their carbon footprint by saving forests and promoting sustainable agriculture – a key selling point in China.

Charismatic Carbon Cravings

Winrock International is responsible for developing the Panda Standard's AFOLU standards and methodologies, and Nicholas Martin is the company's Chief Technical Officer. He recently took part in a workshop with the standard's Technical Committee and other Chinese agriculture, grassland, forestry, and carbon project experts to hammer out Panda's AFOLU specs, and says AFOLU projects were singled out because of their perceived link with development – which dovetails nicely with China's desire to pair poverty alleviation and carbon emissions reductions.

“The Panda Standard is positioning itself as a new voluntary standard that not only generates high-quality credible emissions reductions but also helps China meet its objective of addressing poverty in rural areas, and specifically a new stream of revenue flowing from urban to rural areas, from east to west,” he says.

Geography played a role in the decision to focus on AFOLU, he notes. Martin explains that larger corporations in China's industrialized east – some of them already CBEEX members – may in the future feel compelled to reduce their footprints while mirroring the government's social commitments.

Regarding the link between AFOLU and narrowing geographic disparities, Martin describes a wealth of opportunity for reducing degradation and restoring grasslands and concludes that AFOLU projects are seen as “a way to create new revenue for herders and farmers, particularly in the rural areas.” This emphasis on development is driven by the Panda Standard's engagement with Chinese stakeholders, including China's National Development and Reform Commission (NDRC) and State Forestry Administration.

Rather than model the Panda Standard after existing programs like the Voluntary Carbon Standard or Gold Standard, stakeholders insisted on a final product that is uniquely tailored to the Chinese market and goals. As a result, Winrock is uniquely tasked with developing the standard to measure and verify poverty alleviation alongside carbon reductions.

With guidance from the Poverty Alleviation Office, Winrock will develop the Panda Standard's poverty alleviation metrics – attaching additional co-benefits to the credits that the standard's partners hope will command a price premium from domestic companies. Martin notes that with any luck, the premium price “will be something that Chinese companies are willing to pay because they know these benefits are important for China generally.”

By China, for China

Martin points out that, despite burgeoning international interest in credits from “charismatic” carbon reduction projects, the Panda Standard's target market is indeed domestic firms. This poses a challenge to project proponents who have typically looked to foreign shores and international compliance markets.

Martin suggests that a domestic market for the credits may initially be quiet while companies await clearer signals from the Chinese government. All of that could change quickly, though, as signals emerge on the imperative to achieve progress on both GHG intensity reduction and poverty alleviation.

“And the way they would want to do it,” he explains, “is with this very homegrown program that is specifically focused on poverty alleviation. Then they can really show that they're benefiting China.”

Can they do it by Cancun?

According to Martin, Winrock is initially focusing on improved grassland management and improved forest management (IFM) for its first methodologies under Panda's AFOLU standard. Martin suggests that these project types could be Panda Standard's niche in the nascent market, where Winrock and Panda partners are not the only ones looking to China's forest carbon store.

Since 2007, the China Green Foundation – along with partners like Wal-Mart and HSBC – has planted hundreds of thousands of trees through its afforestation activities. While acknowledging the efforts of organizations like China Green Foundation and its supporting [Green Carbon Fund](#), Martin draws attention to China's broad spectrum of land-based offset opportunities – many of them yet untapped.

"While there is a fair amount of afforestation that has gone on in China, there's not a whole lot of maintenance or management for those forests so there's an interest in IFM," he says. "There are also likely significant opportunities in China's over 3 million square kilometers of grasslands."

Before the release of specific methodologies, though, the project partners must finalize the "umbrella" specifications of the AFOLU standard – and are aiming for a late November deadline in line with upcoming climate negotiations at Cancun. In the mean time, there's still a lot of work to be done.

"As with any other standard, our Panda Standard documents lay out plans for peer review, technical review and public comment," Martin explains. "Those requirements will take some time."

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