

Contact group discusses funding for forest-related activities

Bonn, 9 June (Hilary Chiew) – Forest and climate change is a key issue in the ongoing negotiations on the enhanced implementation of the United Nations Framework Convention on Climate Change (UNFCCC).

The funding of forest-related activities in reducing emissions from deforestation and forest degradation in developing countries (REDD) was the central focus of discussions in the contact group of the Ad-hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) in the morning of 8 June.

Parties focused on the role of public funding and market-based sources in reducing emissions from deforestation; forest degradation; conservation of forest carbon stocks; sustainable management of forests and enhancement of forest carbon stocks (referred to collectively as “REDD-plus” activities).

UNFCCC Annex I countries (developed countries and countries with economies in transition) overwhelmingly supported the use of market-based sources as a financing tool for these activities, and were supported by several developing countries including Papua New Guinea, Costa Rica, Ecuador and Guyana.

Other developing countries including Tuvalu and Bolivia were opposed to market-based approaches in funding forest-related activities and preferred the funding to come from a Multilateral Climate Fund set up under the UNFCCC. Tuvalu warned of the dangers of emerging fraudulent practices through the use of the carbon markets.

Bolivia, Tuvalu and the Philippines as well as Norway stressed the importance of safeguarding the rights of indigenous peoples and local communities in forest related activities.

The discussions were guided by questions posed by the Chair of the AWG-LCA, Margaret Mukhahanana-Sangarwe of Zimbabwe: what remains to be done to begin developing and/or implementing national strategies or action plans, policies and measures and capacity building (readiness activities); how would support be provided for

to prepare developing countries for full implementation of REDD-plus actions, and for the full implementation of REDD-plus actions.

Many Parties viewed REDD-plus activities in three phases viz. the preparatory or readiness phase; carrying out of demonstration projects and the full implementation of REDD-plus activities.

Several developing countries also stressed that external processes such as the REDD-plus Interim Partnership initiative (started after the Copenhagen Conference last year by the governments of Norway and France and known as the Paris-Oslo Initiative) must be subsumed under the UNFCCC once the REDD-plus mechanism was established.

Tuvalu said it did not support the carbon market for REDD for a number of reasons such as the problem of leakage, (deforestation moving from one area to another), impermanence (forests being converted for other uses later) and governance issues. While it supported innovative approaches in financing the full implementation of REDD, such actions must be effective. It reiterated its proposal of a levy on international aviation and maritime transport as a means of support for REDD. Another option that could be explored was the auctioning of AAUs.

(An Assigned Amount Unit is a tradeable unit under the Kyoto Protocol, representing an allowance to emit one metric tonne of greenhouse gases.)

Tuvalu said guidelines for the implementation of capacity building under REDD needs to be developed to operationalise the mechanism, such as guidelines on respecting the knowledge and rights of indigenous peoples and members of local communities, address the displacement of emissions both nationally and internationally, and means to address governance issues.

Parties need to agree on a coordinated approach to help developing countries build their capacity to address deforestation and forest degradation. Currently, it said that there were a plethora of institutions and governments

running off in all directions on the issue of REDD, resulting in some developing countries taking advantage of these initiatives and some are being left behind' when all affected developing countries need to be involved.

Besides supporting development of strategies, assistance should be directed towards addressing the drivers of deforestation and forest degradation and the consumption of forest products from illegal sources.

Tuvalu called for action from developed countries to address fraudulent activity associated with REDD, citing the example of police action on the UK-based company, Carbon Harvesting Corporation for alleged criminal activity associated with the carbon market and REDD-like activities.

It also said actions to address REDD must not be entirely focused on developing countries as developed countries have a critical role to play in addressing demand-side actions to reduce deforestation and forest degradation.

Tuvalu called for focused and coordinated actions to address REDD, particularly in relation to capacity building, and must be serious and not simply a haven for carbon comen.

Bolivia said Parties should not see forests as only sinks or carbon stores because they are homes to indigenous peoples and harbour great biodiversity. It pointed out that the current definition of forests in the UNFCCC does not distinguish natural forests from plantations and this anomaly has to be corrected.

To strengthen the guarantee of full recognition and participation of local and indigenous communities in REDD projects, Bolivia expected to see a stronger language in the new revised text of the Chair.

[Paragraph 2 (c) of Chapter VI of the current Chair's text in relation to safeguards that have to be promoted by Parties – *"Respect for the knowledge and rights of indigenous peoples and members of local communities, by taking into account relevant international obligations, national circumstances and laws, and noting that the General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples"*]

Bolivia further stressed that forest mitigation actions should ensure national sovereignty and control over related activities and should not be project based. Each developing country should present a national action plan for international support.

It was very concerned that REDD is being used to promote a new market mechanism and a new off-setting mechanism that will allow developed countries to further

shift the burden of mitigation onto developing countries. From capacity building to readiness to full implementation of REDD, it suggested public funding through the Multilateral Climate Fund that should be established under the Conference of Parties.

Forests, said Bolivia, should not be the new business of the 21st century. It expressed concerns over market-based proposals that establish carbon rights that can lead not only to the privatisation of forests but also privatisation of land, rivers and biodiversity that are in the forests. It urged Parties to analyse deeply the consequences of carbon market in relation to forests.

Papua New Guinea said sustainable funding is an important REDD-plus activity and supported market-linked financing for the new climate fund. It said that funding should be organised in a phased approach to develop institutional support, management and training and any climate fund must include a REDD-plus window to coordinate financing of this mechanism.

Tropical rainforest nations like **Guyana, Ecuador** and **Costa Rica** supported the idea of market mechanisms for REDD as they felt that private investment could complement as well as assure predictability of financial flows to ensure effectiveness of the mechanism in combating climate change.

They also underscored that environmental integrity and the rights of indigenous peoples must be safeguarded.

The **United States** said both market and non-market financing sources should be made available but enhancing private capital offered great potential for scaled up actions. Besides financial certainty, MRV (measuring, reporting and verification) of those actions were vital to ensure success of REDD, it said.

Norway, (a prime-mover of the REDD-plus Interim Partnership) said scale-up in fast-start finance and long-term finance was crucial to incentivise systemic change in the forest sector and that the partnership represented an important initiative to gain results. It said that the REDD-plus Interim Partnership should turn to the UNFCCC for the REDD-plus framework.

It said once countries demonstrate the effectiveness of REDD readiness, large scale funding will be available through other funding schemes like the World Bank's Forest Carbon Partnership Facility and other carbon funds.

Spain, speaking on behalf of **the European Union** also advocated for market mechanisms for financing REDD. It said further that it was important to preserve

environmental integrity in relation to REDD-plus activities and to ensure the attainment of keeping temperature rise to below 2 degree C. The EU also wanted a goal for halting forest loss by 50% by 2030.

China said that new and additional public finance that is adequate, predictable and sustainable should be the main source of funding while innovative funding is complementary. Therefore, it supported a financing window for REDD-plus activities to be integrated into the UNFCCC financial mechanism.

Asserting that the building and implementing of national strategies and action plans for REDD must be financially supported, **India** said it preferred a REDD-plus financing scheme of the UNFCCC based on non-market sources. However, it proposed a flexible mechanism of market and non-market based approaches for financing the full implementation of REDD-plus activities.

Stabilising forest carbon stocks through forest conservation should be incentivised through a non-market based funding mechanism whereas enhancement of forest

carbon stocks resulting from sustainable management of forests and increase in forest cover should be rewarded through a market-based mechanism under UNFCCC, said India.

It also said that all bilateral and multilateral financial support being provided at present and in future for REDD-plus actions should converge in an appropriate mechanism under the UNFCCC.

Brazil said that capacity building for REDD-plus readiness should be provided mainly by public funding, as well as for demonstration activities to ensure predictability of funds to developing countries.

For the full implementation of REDD-plus activities, it supported the use of public funds, combined with financing coming from the auctioning of AAUs.

It said that developed countries could mobilise the market for funds in the implementation of REDD-plus activities but this should not be project-based.