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SBSTA: Parties discuss non-market approaches related to forests

Bonn, 13 June (Kate Dooley) – Discussions on non-market approaches and non-carbon benefits have taken place during an in-session expert meeting on non-market-based approaches for the integral and sustainable management of forests at the 40th session of the Subsidiary Body for Scientific and Technological Advice (SBSTA 40).

A contact group was also convened to consider the SBSTA agenda item on *'Methodological guidance for activities relating to reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries'* (referred to as REDD+).

While the mandate of the contact group is to develop guidance for non-market approaches to REDD+ and non-carbon benefits, many Parties expressed the view that the Warsaw Framework on REDD+ contains sufficient guidance and no further guidance is needed for any phase of REDD+.

Tanzania emphasized the importance of the non-market approach for Least developed Countries (LDCs), saying that the most vulnerable are left behind with the market approach. It suggested that Parties were deceiving themselves if they thought the current REDD+ regime focused on non-carbon benefits would work for most of the LDCs.

Brazil suggested that the mandate for this agenda item was now superseded by the Warsaw agreement on REDD+, which it said was a non-market approach, disagreeing that REDD+ can be used as an offset mechanism. Guyana on the other hand noted that there is nothing in the Warsaw decision which excludes using carbon markets to finance REDD+, and many Parties emphasized they saw REDD+ finance as coming from a variety of sources, and that the mix of financing arrangements does not change the way REDD+ is implemented.

Tanzania also emphasized that Parties were meeting because there was a mandate to do so and that discussions were needed. Other Parties questioned whether the contact group was the best place to discuss methodologies for alternative approaches for the sustainable management of forests which had an emphasis on adaptation.

In-session expert meeting on non-market based approaches to forests

An in-session expert meeting was held on 6 June at SBSTA 40 relating to non-market based approaches to support the implementation of REDD+. SBSTA Chair Emmanuel Dlamini (Swaziland) opened the meeting by noting the unwavering interest in REDD+ since it was introduced at SBSTA 24. He noted the need for clarity on types of non-market approaches for activities relating to REDD+. Dlamini encouraged Parties to share knowledge and experience with a view to developing clarity and understanding of non-market based approaches for REDD+.

Synthesis of views

Peter Graham (Canada) and Robert Bamfo (Ethiopia) as co-chairs of the meeting presented a synthesis of views from the submissions by Parties, noting that a range of views were presented. One type of view expressed defined the non-market approaches (NMA) as policy measures for enhancing action without creating internationally transferable units i.e. the delivery of measurable emission reductions outside offsetting context. There was a view that these approaches have fewer problems associated with leakage, permanence and fraud, and that the NMA reinforces the principle of multiple functions of forests that are more than carbon reservoirs. There were some views that the Warsaw Framework for REDD+ only applied to non-market approaches; other views that it applies to all finance approaches, and some expressed that REDD has focused on market approaches all along.

Market and non-market approaches under the Convention

Co-chair of the contact group on SBSTA agenda item 13 (market and non market approaches under the Convention), Peer Stiansen (Norway), then gave an update on the status of the informal group consultations. He said that initially non-market-based approaches were supported by a smaller group of Parties, but recognition of the importance of this issue has grown, and it is clear that progress on the other issues under this agenda item (a framework for various approaches and a new market mechanism) will depend on progress on non-market-based approaches.

Stiansen noted that non-market-based approaches are not yet defined, but are emerging as a means for cost effective and measurable mitigation and incentives for carbon pricing without the creation of internationally transferable credits. Parties need a mix of market and non-market approaches; in some cases non-market-based are more suitable or cost effective than market based, he said.

Presentations from Parties

The in-session meeting then moved into presentations from Parties. The presentations of Bolivia, Indonesia and the United States identified a wide range of non-market based approaches that are currently in existence, funding a wide range of REDD+ activities. Co-chair Graham noted at the end of the meeting that in the context of this group, there may be an opportunity to further explore lessons coming from LDCs in relation to challenges experienced with past market based approaches such as the Clean Development Mechanism (CDM).

Bolivia gave a presentation on its proposal for the Joint Adaptation and Mitigation (JMA), noting that the Rio-plus 20 "The Future We Want" document recognizes there are different visions, approaches models and tools to achieve sustainable development. Bolivia pointed out the JMA was recognized as an alternative to *ex post* payments in the Warsaw decision on REDD+. The JMA incorporates *ex ante* payments and mitigation outcomes are not integrated into global carbon markets. A national workshop held in Bolivia on this topic concluded that while it was difficult to develop joint mitigation and adaptation indicators, proxies could be used for mitigation, while standards are appropriate for determining adaptation.

Indonesia said it defined non-market approaches as accessing finance and incentives that do not generate carbon credits. Funding sources could be national, international, public or private. Indonesia then presented on a variety of ongoing forest programmes in ASEAN (Association of South-east Asian Nations) member states. Modalities to access funds include national budgets, land for reforestation, grants, investments and payments for performance and concessional loans. It suggested that this meeting should focus on clarifying issues related to JMA, including on applicability of JMA in the international setting, in terms of methodological operation and in clarifying the concept.

The **US** spoke of the continued need to support all phases of REDD+, regardless of sources of finance, noting that it sees the REDD+ methodology as applicable to any financing approach. The US suggested that non-market approaches will have to be developed at a national level, specific to national circumstances. The US referred to markets as finance linked to carbon credits transacted in carbon markets, with non-markets referring to all other approaches. The US said it has provided over $1.2 billion for REDD since 2010; 90% of this is non-market based and it funds a range of programmes, such as the Silvacarbon, WISEREDD and the Central African Regional Programme for the Environment (CARPE).

Discussions after the presentations included questions from the **EU** on whether non-market approaches can be for results based outcomes, and from **Norway** on whether there was really such a sharp distinction between REDD+ as results based and JMA as non-results based?

Bolivia responded that it was talking about long-term public finance, not the quantification of non-carbon benefits. Regarding results based payments, it noted this was discussed in depth in Warsaw, and the final decision refers to results based payments, and alternative approaches such as the JMA.

Tuvalu suggested that some of the ideas from speakers are enabling activities for a market based mechanism, so might not quite fit the definition of non-market approaches. It asked whether leakage had been considered as a consequence of activities outlined in the presentations, and questioned whether anyone has looked at drivers of deforestation.

Work programme discussion

The SBSTA Chair then moved the Parties into a more focused discussion, guided by the 3 questions proposed by the co-chairs:
1) What is meant by non-market-based approaches in the context of implementation of REDD+?
2) What lessons on methodological guidance can be drawn from current non-market-based financing of REDD+ activities?
3) Taking into account existing guidance in the Warsaw Framework, what additional methodological guidance is needed for non-market-based approaches?

Brazil said that this agenda item was mandated in SBSTA 38. Since then, the Warsaw Framework on REDD+ has been adopted, which supersedes the previous SBSTA mandate. It noted that some common elements of REDD+ were agreed in Warsaw, including that REDD+ is performance based measured against a reference level in tonnes of $C0_2$ equivalent, regardless of whether it is market or non-market. It said that the other significant development from Warsaw was the recognition of alternative approaches to REDD+, including JMA. It saw this as a performance based approach that measures performance against indicators other than carbon, and that Parties need to discuss the development of methodologies for non-carbon approaches.

Switzerland said that it recognized the multiple functions of forests and the role of indigenous peoples, but saw these as issues with adaptation value, with the benefit of the JMA approach being the link to adaptation. It noted some concerns with indicators for monitoring adaptation, saying that this needs more work in the context of diversity of national circumstances. In terms of access to finance, it noted the ongoing process in the Green Climate Fund (GCF) and highlighted potential links to National Adaptation Plans (NAPs) and the role of forests.

Bolivia, supported by **Tanzania**, said there is no neutral approach in REDD+. REDD+ has been framed in the market structure and easily connects to the new market mechanism (NMM). Pragmatically, it is a non-market approach because the markets have collapsed and it is convenient now to have a non-market based approach. Since the beginning, Bolivia said, that REDD+ has been structured for a market vision.

Colombia, Mexico, Ecuador, Norway and the **EU** expressed the view that the Warsaw Framework has established comprehensive guidance for REDD+; so further guidance on non-market approaches is not needed, but considering what is missing in relation to adaptation and forests guidance might be important. **Colombia, Norway** and the **EU** also noted these issues will be discussed in other fora, including the Standing Committee on Finance which was mandated by the Warsaw decision to look at financing alternative approaches to REDD+, including the JMA.

Fiji said that trees play a dual role in adaptation and mitigation, and that the 'plus' component of REDD+ with its safeguards is sufficient to handle the issue of non- carbon benefits; thus there is no need to look for further alternatives.

Tanzania on behalf of **LDCs** said there seems to be some confusion, particularly with regards to how the questions were drafted. It said question 3 is not drafted to try to find a solution to the non-market based approach for REDD+. As the current guidance on REDD+ is basically on the market approach, Tanzania suggested a different framing of this question so Parties can better input. It emphasized the non-market approach as being very important for LDCs because the current market-based approach does not favor the national circumstances of LDCS and they are left behind.

Tanzania said that LDCs want to see how the non-market approach is included in REDD+. It suggested that Parties should not deceive themselves that the current REDD+ mechanism focused on carbon benefits will work for most of the LDCs. Regarding the mandate of the contact group, Tanzania emphasized that this group has the mandate, that is why we are here, disagreeing with those who say this group does not have the mandate.

A representative from the **Convention on Biological Diversity** secretariat drew Parties' attention to agenda item 13 of the next CBD meeting on 'climate change and biodiversity', noting that discussions will focus on respect and usage of safeguards for biodiversity in the context of REDD+ and indigenous peoples.

Simone Lovera of the **Global Forest Coalition (GFC)**, a civil society organisation said that as the NMM discussions are proceeding slowly, with the EU announcing they do not see a role for REDD+ in the NMM and the GCF has announced equal funding for adaptation and mitigation, it may make sense to focus on adaptation links and the JMA, for which additional methodological guidance will be needed.

Co-chair Graham summarized the discussion and informed Parties that a report on the session will be prepared by the secretariat and made available before SBSTA 41.

REDD+ contact group

Decision 1.CP/18 (Doha 2012), paragraphs 39 and 40 requested consideration of methodological guidance for non-market approaches and work on methodological issues related to non-carbon benefits for discussion at SBSTA 38, a mandate which was then extended to SBSTA 40.

The contact group that is currently working in the Bonn session is co-chaired by Peter Graham (Canada) and Robert Bamfo (Ethiopia). The contact group met in an opening meeting on 6 June, meeting again several times during the first week of SBSTA 40. In the opening meeting, co-chair Graham suggested that following on from the in-session expert meeting on non-market approaches, the contact group would first focus on non-carbon benefits (NCB).

On 10 June a draft decision text was presented by the co-chairs, which suggested to close the agenda item on NCB, and to consider alternative policy approaches, as an outcome of consideration of non-market approaches, at SBSTA 41 in order to address the multiple functions of forests including adaptation. The contact group will meet again on 13 June with the aim to finalise the draft decision.

Indonesia took the floor to recognise the importance of NCB in REDD+ implementation, and noted that NBC should be defined at the national level as they differ from country to country.

The **US**, **Japan, Mexico, Colombia, Malaysia and the Philippines** agreed with Indonesia, with the US adding that attempting to define NCB at an international level risks not including the needs of some Parties and Mexico cautioning against the introduction of additional requirements.

Tuvalu, supported by **Tanzania,** said that the in-session expert discussion was useful and showed a wide spectrum of approaches for NMAs and how to incorporate NCBs. It noted that it was clear that certain countries are only interested in carbon benefits. Tuvalu said that while it accepts the view that NBC should be defined nationally, international initiatives promoting REDD+ activities on a non-carbon basis required guidance to address concerns of leakage, addressing the drivers to deforestation, safeguards, and issues affecting gender equality, which are common to all REDD+ approaches.

Norway, supported by the **EU**, said that it was a guiding principle that REDD+ must contribute to sustainable development and must have significant environmental, social and governance impacts to benefit local populations and indigenous communities. Norway said that it has been a huge advocate of safeguards, but given a wide variety of national circumstances, it did not think it was desirable to provide an exhaustive definition of NCB under the UNFCCC. Norway suggested that in Lima, Parties could agree that reporting on safeguards includes a core set of information for different safeguards.

Cameroon, on behalf of the **Central African Forest Commission (COMIFAC)**, said that the development of methodological guidance for NCB is a part of managing forests sustainably. NCB are a relevant indication of the role of REDD+ activities in social and economic development, ecosystem resilience, biodiversity benefits and adaptation. **Ghana** on behalf of the **Africa Group** supported the statements from Cameroon and Tanzania, saying the Group wants to discuss how best to incentivize NCB.

Brazil noted that it has already been agreed that NCB are important. The question now is whether we will develop methodology at the international level, meaning methodologies that will suit everyone. Brazil's opinion is that creating methodologies for NCB at the international level will only add an additional layer of requirements for countries to move from phase 1 to phase 3 (of REDD+), and it expressed surprise that developing countries would like to add this new layer of requirements. It noted that the Amazon Fund uses resources obtained through results based payments to finance activities that have no carbon benefits at all.

Switzerland said that readiness is about NBC, which do not require further guidance but could be seen as an outcome of the safeguards.

Tanzania said that countries need an international framework to address the drivers of deforestation, noting that the discussion on NCB could form part of such a framework. **Mozambique** said that NCB are non-quantifiable.

The contact group will continue to meet Friday, 13 June.+