


## REDD knowledge gaps

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**Towards an information network for Asia Pacific**

May 7, 2008



**Reference**  
**Background**  
**Agenda**



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## REDD: Key knowledge gaps


- How will:
  - the mechanism develop?
  - baselines (BAU) be determined?
  - targets (reference levels) be determined?
  - REDD be financed?
  - credits be valued?
  - REDD finance be distributed?
- How can REDD become pro-poor?

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## Development of the REDD mechanism




- Technical obstacles to inclusion of REDD in Kyoto, now (largely) overcome
- UNFCCC consensus in Bali
- Initial 2 years of negotiations will be vigorous
- Possible formulations:
  - Deforestation only (RED)
  - Degradation included (REDD)
  - 'Preventive' credits
  - Inclusion of additional methodologies



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## Development of the REDD mechanism


- Deforestation only (RED) - favoured by Brazil
  - Simple
  - Exclusive
  - Easy to monitor
  - 'Market-friendly'
- Degradation included (REDD) - the likely outcome post-Bali
  - Complex
  - Inclusive
  - Difficult to monitor
  - Comprehensive cover
  - Market risk

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## Development of the REDD mechanism



- 'Preventive' credits - for parties with high forest cover and low deforestation rates (unlikely)
  - Fair
  - Added complexity
  - Market flooding
- Additional methodologies - Bali decision ruled nothing out
  - Forest restoration or enrichment
  - Protected area management



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## Development of the REDD mechanism


- REDD information network will track UNFCCC negotiations
  - Ad Hoc WG meeting, Bangkok - implications for REDD?
- Track the positions of parties and observers
  - REDD workshops in UK and Netherlands
- What are the reforms needed to benefit from REDD?

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### Determining baselines (BAU)

- Political or technical decision?
- Historical records and future projections
- Credible baselines must address:
  - Transparency
  - Quality
  - Variation - historical
  - Variation - geographical



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### Determining baselines (BAU)

- Transparency
  - Open up forest inventories and records
- Quality
  - Contradictory, inaccurate or incomplete data cannot be used
- Variation - historical
  - In Vietnam: War - resettlement - 'Doi Moi' - reforestation - plantation/natural forest?
  - What basis for future projections?
- Variation - geographical
  - National trend masks local trends

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### Determining targets / reference levels

- Like baselines, a highly politicised issue
- Options include:
  - Determine through UNFCCC negotiations
  - Set differential targets
  - Independent global arbiter



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### Determining targets / reference levels

- Negotiated targets:
  - Host countries propose
  - Risks undermining market - lack of objectivity
  - Lessons from forest certification - 'race to the bottom'
- Differential targets:
  - Discourage exaggeration of baseline trends
  - Higher starting deforestation rates - more challenging targets

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### Determining targets /reference levels

- Independent arbiter
  - Quality and availability of remote sensing data (ALOS)
  - Non-government monitoring will proceed in any case
  - Inconsistencies will be uncovered
  - Market credibility
  - Resistance from UNFCCC parties?
  - REDD (and CC in general) is a global issue - will inevitably lead to surrender of national sovereignty in some respects

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### Financing REDD

- REDD will be a separate mechanism from CDM - country rather than project-based
- May be financed differently
- Either:
  - Government to government
  - International markets
  - A combination of the two

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### Financing REDD

- Government-to-government
  - REDD credits for Annex 1 commitments
  - Bilateral payments on delivery of credits
  - International fund - administered by?
  - No accountability to markets - no external incentive to maintain product quality (social and environmental criteria)
- Carbon credits traded on international markets
  - Compliance and voluntary markets
  - Market can differentiate products by quality
  - Lesson from AR-CDM - buyers want minimal risk




### Financing REDD

- Voluntary markets already emerging (Aceh)
- Will influence negotiations for compliance mechanism
- Information network to track voluntary projects
- Link forest sector with investment opportunities





### Valuing REDD

- Supply - inclusivity of mechanism
- Demand - Annex 1 country commitments
- Market confidence - transparency, risk and quality control
- Predicting prices:
  - AR-CDM - not useful
  - REDD VERs - monitor closely
- Controlling prices:
  - Fencing REDD off from wider carbon markets
  - Over-supply? Control demand by raising compliance targets?




### Distributing finance

- National accounting system
  - Addresses 'leakage'
  - Obliges governments to distribute REDD revenue
- Cost recovery for REDD implementation
- Source of benefit sharing standards?
  - UNFCCC? Highly unlikely
  - Voluntary market standards (CCBA, FSC)
- Information networks to follow auditing systems as they adapt to REDD
- Can external auditing systems be incorporated to compliance market?

### Pro-poor REDD?

- Impact of REDD on forest decentralisation and benefit sharing?
- Two scenarios:
- A brake:
  - Increased potential value of natural forests
  - Governments/companies use REDD to justify exclusion of indigenous and local communities
- A spur:
  - Credit generation linked directly to rights and equity
  - Monitoring requirements necessitate grassroots involvement
  - Reliable ground truthing data dependent on benefit sharing
  - Market assigns higher value to verified pro-poor credits



### Pro-poor REDD?

- Social elements of National REDD strategies
  - As essential (and complex) as technical implementation elements
  - FCPF submissions have prompted national discussions on social impacts of REDD
- Information networks assist national REDD strategy teams to share ideas and experiences

