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**Developments in UNFCCC/IPCC Discussions regarding
Forests and their Potential Implications for Tropical Forests and
World Tropical Timber Economy
[Decisions 2(XXXIX) and 1(XLI)]**

[Item 16 of the Provisional Agenda]

1 Introduction

1.1 This document is a follow up on the ITTC Decisions 2(XXXIX) and 1(XLI) requesting updated information on major developments in tropical forests related issues in the decisions and related discussions under the United Nations Framework Convention on Climate Change (UNFCCC) and in the Intergovernmental Panel on Climate Change (IPCC).

1.2 The ITTC Document ITTC(XLVII)/10 (Robledo and Gardi 2011) presented and analyzed all relevant UNFCCC decisions for A/R CDM and REDD+ including the ones resulting from the 16th Conference of the Parties (COP) held in Cancun, Mexico in 2010. The present report covers progress made since the Forty-seventh Session of the ITTC in November 2011. Specifically, it summarizes the discussions in the meetings of the COP 17 in Durban in 2011 and the 36th sessions of the Subsidiary Body for Scientific and Technological Advice (SBSTA) and the Subsidiary Body for Implementation (SBI) in May 2012 as well as the *Ad Hoc* Working Group on the Kyoto Protocol (AWG-KP) and the *Ad Hoc* Working Group on Long-Term Cooperation Agreements (AWG-LCA) during the year 2012. The report also includes a section presenting REDD+ related activities undertaken by the ITTO Secretariat since November 2011.

2 Decisions on REDD+ before the COP 17 (Durban) of the UNFCCC: national strategy development and a phased approach

2.1 Effective implementation of REDD+ has been a key part of international climate change discussions since the Bali Action Plan adopted at the COP 13 of the UNFCCC in Bali, Indonesia in 2007 where an agreement was reached for designing a global mechanism for "*Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries*".

2.2 REDD+ has been included in the work of the AWG-LCA since the COP 13. REDD+ is apparently one of the most important parts of the discussions under this subsidiary body.

2.3 The COP 16 decision (1/CP.16) adopted under the Cancun Agreements in 2011 recognized the importance of REDD+ and defined the scope of five REDD+ activities, namely (1) reducing emissions from deforestation, (2) reducing emissions from forest degradation, (3) conservation of forest carbon stocks, (4) Sustainable management of forest, and (5) enhancement of forest carbon stocks. However, this decision did not include the definitions of forest degradation, conservation, sustainable management of forest and enhancement of forest carbon stocks and specifying the definition of such terms still remain an unfinished task for the SBSTA. Many countries are currently using the definitions approved for A/R CDM (Robledo and Gardi 2011).

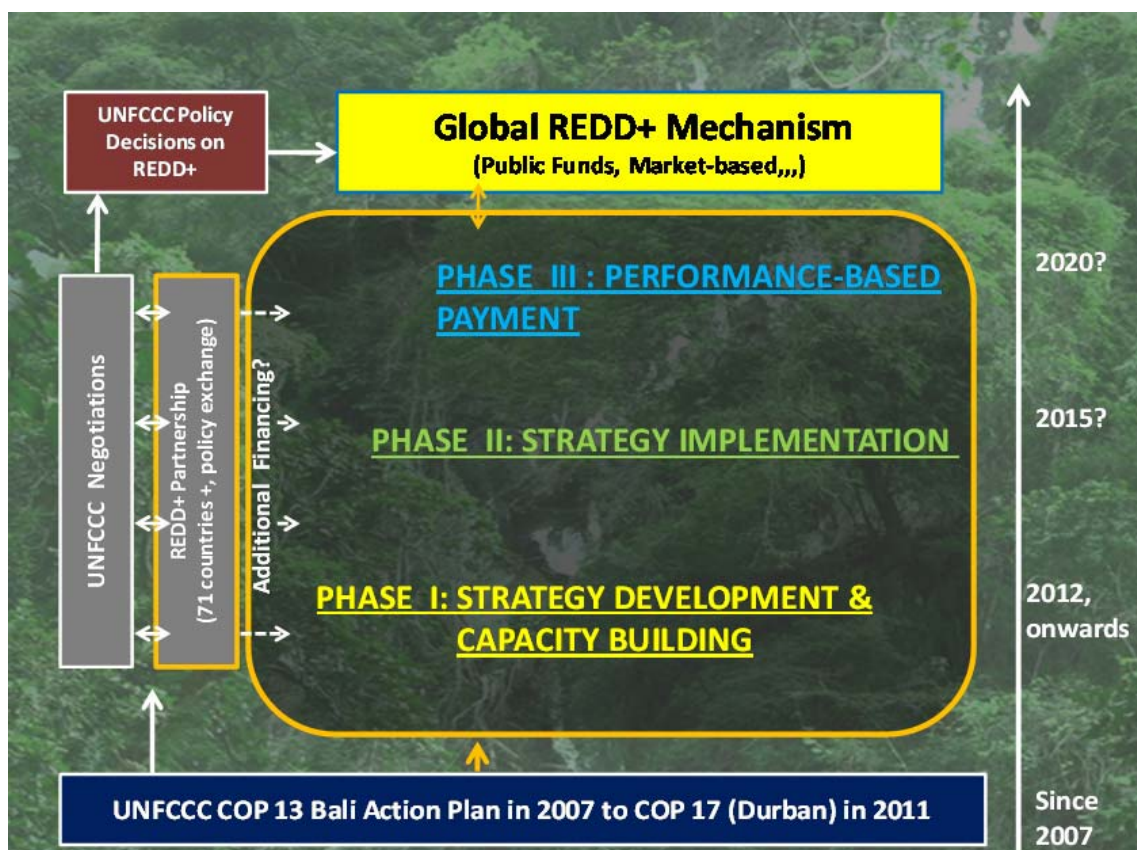
2.4 The COP 16 decision also called for developing country Parties to undertake the following activities:

- (a) *Design a national strategy or action plan*
- (b) *Establish a national forest reference emission level and/or forest reference level or, if appropriate, as an interim measure, sub-national forest reference emission levels and/or forest reference levels,*
- (c) *Design a robust and transparent national forest monitoring system for the monitoring and reporting of activities; and*
- (d) *Design a system for providing information on how the agreed social and environmental safeguards are being addressed and respected*

2.5 Developed countries were urged to provide financial and technical support to assist developing countries to engage key stakeholders (including communities and indigenous peoples) to prepare national strategies, policies and measures to implement REDD+ and to develop national forest reference emission levels, national forest monitoring systems and a system for providing information on how REDD+ social and environmental safeguards are being addressed and respected (IISD 2010)

2.6 The COP 16 decision further recognized the need of implementing a three-phased approach to REDD+ (see Figure 1). Phase I highlights the important of developing national REDD+ strategies and action plans as a first priority though multi-stakeholders' consultations by addressing drivers of deforestation and forest degradation, land tenure issues, forest governance issues, and the social and environmental safeguards. While Phase II will continue capacity building by implementing national REDD+ action plans developed under Phase I, result-based payments will be made in Phase III. Assuming that a new international climate agreement will take place from 2020, REDD+ result-based payments at the national level are likely in place from 2020. The COP 16 decision also confirmed the implementation at both national and sub-national levels for an "interim" period (IISD 2010).

Figure 1 - REDD+ Phased Approach Landscape



Source: Adapted from Robledo and Gardi (2011)

3 REDD+ developments since COP 17 (Durban) of the UNFCCC: national forestry monitoring system and social and environmental safeguards

3.1 After the conclusion of the Forty-seventh Session of the ITTC in November 2011, a number of discussions relating to REDD+ have taken place under the UNFCCC. These include:

- The COP 17 in Durban in December 2011 where outcomes included a decision to adopt a new protocol applicable to all Parties no later than 2015 and the establishment of a second commitment period under the Kyoto Protocol.
- The Subsidiary Body for Scientific and Technological Advice (SBSTA) (36th session), the *Ad Hoc* Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) (15th session), the *Ad Hoc* Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP) (17th session) and the *Ad Hoc* Working Group on the Durban Platform for Enhanced Action (ADP) (1st session) in May 2012; and the informal additional sessions of the AWG-LCA, the AWG-KP and the ADP on 30 August - 5 September 2012.

3.2 REDD+ discussions at the COP 17 in Durban in December 2011 moved by focusing on national forest monitoring systems and measuring, reporting and verifying of emissions by sources and removals by sinks, social and environmental safeguards, reference levels and financing.

Modalities for National Forest Monitoring Systems (NFMS) and Measuring, Reporting and Verifying (MRV)

3.3 At the 35th Session of the SBSTA in Durban, no decision could be reached on modalities for national forest monitoring systems (NFMS) and measuring, reporting and verifying (MRV) of anthropogenic forest-related emissions and removals, forest carbon stocks and forest area changes resulting from the implementation of REDD+ activities. At the 36th Session of the SBSTA in May 2012, discussions resulted in the advancement of a few points but the SBSTA agreed to continue its work on guidance for the remaining issues relating to NFMS and MRV with the aim of completing this work through its 37th Session with draft decisions for the COP 18 in December 2012.

3.4 At the 36th Session of the SBSTA it was recommended that the development of NFMS should follow guidance provided in Decision 4/CP.15 and most recent IPCC guidance and guidelines; and a “robust” NFMS “should provide data and information that are transparent, consistent over time, [and] and complete. Further, that the NFMS should build upon existing systems, provide information on all forest areas or land in the country, enable assessment or identification of changes that have occurred in natural forests, be flexible and allow for improvement, reflect the phased approach to REDD+, and identify potential sources of uncertainties to the extent possible (López-Casero et al 2012).

3.5 The 35th Session of the SBSTA recommended that MRV should be consistent with guidance provided in 4/CP.15 and should include modalities developed for the MRV of Nationally Appropriate Mitigation Actions (NAMAs); and MRV systems should provide data that is transparent, complete, consistent with RELs/RLs and as accurate as possible (López-Casero et al 2012).

3.6 The UNFCCC Secretariat has created a web platform that facilitates exchanges of experiences and tools for REDD+ methodological issues. (http://unfccc.int/methods_science/redd/items/4531.php).

Social and Environmental Safeguards

3.7 With regard to social and environmental safeguards for REDD+, the COP 17 Decision stipulated that countries with forests should report on how the safeguards referred to in Appendix I to decision 1/CP.16 are being addressed and respected throughout the implementation of the activities.

3.8 Development of REDD+ safeguards should be further advanced based on the following general principles provided by Appendix I to decision 1/CP.16 (The Cancun Agreement):

- *Consistency with the objectives of national forest programmes and relevant international conventions and agreements*
- *Transparent and effective national forest governance structures*
- *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 United Nations General Assembly has adopted the United Nations Declaration on the Rights of Indigenous Peoples

- *Full and effective participation of relevant stakeholders, in particular indigenous peoples and local communities*
- *Consistency with the conservation of natural forests and biological diversity*
- *Actions to address the risks of reversals*
- *Actions to reduce displacement of emissions.*

3.9 Following the above guidance on safeguards for REDD+, several initiatives have emerged to the integration of REDD+ safeguards and due attention has been given to the importance of establishing a credible system of social-environmental safeguards to ensure the full and effective participation of indigenous people, local communities and the conservation of forest biodiversity. These include UN-REDD Programme Social and Environmental Principles and Criteria (SEPC), The World Bank Forest Carbon Partnership Facility Readiness Fund's Common Approach to Environmental and Social Safeguards and REDD+ Social & Environmental Safeguards (REDD+ SES) initiative.

3.10 Key features of those principles are the maintenance or enhancement of the full and effective participation of indigenous people and local communities and biodiversity conservation. For instance, UN-REDD Programme Social and Environmental Principles and Criteria adopted in March 2012 provide a guiding framework for addressing environmental and social issues in UN-REDD National Programmes through the following principles:

- 1 – *Apply norms of democratic governance, as reflected in national commitments and Multilateral Agreements*
- 2 – *Respect and protect stakeholder rights in accordance with international obligations*
- 3 – *Promote sustainable livelihoods and poverty reduction*
- 4 – *Contribute to low-carbon, climate-resilient sustainable development policy, consistent with national development strategies, national forest programs, and commitments under international conventions and agreements*
- 5 – *Protect natural forest from degradation and/or conversion*
- 6 – *Maintain and enhance multiple functions of forest including conservation of biodiversity and provision of ecosystem services*
- 7 – *Avoid or minimize adverse impacts on non-forest ecosystem services and biodiversity*

Modalities on Reference emission levels (REL) and Reference levels (RL)

3.11 Discussions on Reference emission levels (REL) and Reference levels (RL) at the COP 17 focused on consideration of historical deforestation, projections, and national circumstances. There was not much change from the previous draft. Countries can still choose to use RELs or RLs and develop the same based on national circumstances. Sub-national REL and/or RL can be elaborated as an interim measure while moving towards a national REL and/or RL. Parties were invited to submit information and rationale on the development of their forest RELs and/or forest RLs in accordance with guidelines (IISD 2011).

3.12 Under SBSATA, it is expect to receive further guidance on identifying methodological issues and assessing mitigation potential of Land Use, Land-use Change and Forestry (LULUCF) activities in developing countries in relation to drivers of deforestation and forest degradation.

Financing Options for the Full Implementation of Results-based REDD+ Actions

3.13 At the COP 17 there were discussions over market-based mechanisms vs. non market-based mechanisms and the inclusion of offsets but no decision was made. Recognizing the importance of effective and continuing support for activities referred to in decision 1/CP.16, paragraphs 73 and 76. Parties agreed that results-based finance provided to developing country parties that is new, additional and predictable may come from a wide variety of sources – public and private, bilateral and multilateral, including alternative sources (decision 2/CP.17). Parties also noted that appropriate market-based approaches could be developed by the COP to support results-based actions by developing country Parties ensuring that environmental integrity is preserved, and the provisions of appendix I and II to Decision 1/CP.16 are fully respected (IISD 2011).

3.14 Such discussions suggest that REDD+ activities undertaken by developing country Parties in accordance with national circumstances and respective capabilities could be supported through significant financial resources in a sustainable way. In this regard, it is interesting to note that based on the pledges

made for the Fast-Start financing for REDD+ (2010-2012) is about USD 4.3 billion, the total available funding for REDD+ from 2008 onwards is estimated at USD 7.3 billion divided into USD 4.8 billion through bilateral programmes and projects, USD 2.3 billion through multilateral, international and regional mechanisms, and USD 150 million through voluntary carbon markets (Simula 2010).

3.15 Parties were invited to submit, by 5 March 2012, their views on modalities and procedures for financing result-based actions, and requested the AWG-LCA to report on progress made and any recommendations to the COP 18 in Doha through considering the above submissions, a technical paper and the report on the outcomes of a workshop.

3.16 The UNFCCC Secretariat has prepared a technical paper on financing options for the full implementation of results-based actions relating to the activities referred to in decision 1/CP.16, paragraph 70, including related modalities and procedures (UNFCCC 2012)

3.17 Under the informal additional session of the AWG-LCA on 30 August-5 September 2012, a workshop on financing options for the full implementation of the results-based actions relating to REDD+, including modalities and procedures for financing, took place on 30 August 2012. Discussions made in the workshop included: financing options, sources and enabling conditions for scaling-up financing for the full implementation of the results-based actions; the role of the private sector in REDD+ investments and fostering private-sector partnerships; institutional arrangements including the establishment of a REDD+ board, national and international registries, and review and regulatory bodies (IISD 2012).

3.18 In fact, considerable progress has been achieved in the operation of various multilateral and bilateral funds and programs like the Forest Carbon Partnership Facility (FCPF) of the World Bank, the UN-REDD and the REDD+ Partnership as well as the national initiatives like the Amazon Fund to advance the readiness of REDD+ in developing countries. However, it has been recognized that the public financing alone will not suffice to reach the level of financing required and thus private investment and carbon markets should have a fundamental role in mobilizing resources for financing result-based REDD+ activities. In this regard, there is a certain level of general understanding that securing appropriate financing from different sources including public funds and market-based mechanisms will be vital to the effective implementation of REDD+ and that the Green Climate Fund (GCF) can be a key instrument in increasing results-based finance for REDD+ (IISD 2012). Further guidance of the COP on REDD+ integration in the GCF and financing methodological development for the valuation of multiple benefits of REDD+ will be important in comparison with other forms of mitigation actions focused on verified emission reductions.

4 Status of Afforestation and Reforestation (A/R) CDM under the Kyoto Protocol

4.1 With the establishment of the second commitment of the Kyoto Protocol at the COP 17 in Durban in 2011, developing countries can continue to generate afforestation and reforestation credits under the Clean Development Mechanism during the second Kyoto commitment period. It is expected that *ad hoc working group on further commitments for Annex I Parties under the Kyoto Protocol* (AWG-KP) provides clarification on the role of forest mitigation options in the next commitment period of the Kyoto Protocol beyond 2012 including the topic of Land Use, Land Use Change and Forestry (LULUCF) for Annex I countries (industrialized countries). Since the implementation of A/R CDM implementing on non-forest lands has received criticisms due to their complicated modalities and procedures, the effective design and implementation of A/R CDM projects could be facilitated by more simplified and streamlined modalities and procedures.

5 ITTO Experiences

5.1 Acknowledging the high potential of REDD+ contribution to sustainable forest management in the tropics as a global payment mechanism for environmental services provided by tropical forests, ITTO has carried out a variety of activities to enhance the capacity of stakeholders in REDD+ through the implementation of the REDDES Thematic Programme and the facilitation of REDD+ feasibility studies in Indonesia and Brazil.

Progress in the REDDES Thematic Programme

5.2 Under the REDDES Thematic Programme aiming at reducing deforestation and forest degradation and enhancing environmental services through sustainable management of tropical forests, forest restoration and extending and enriching forest cover, over US\$4 million was allocated to support 14 projects in Asia, Latin

America and sub-Saharan Africa in 2011 and several projects have been approved in 2012 and are in the process of receiving financing for the implementation of REDD+ activities.

5.3 Most of the approved projects are designed for capacity building of REDD+ design and implementation in support of sustainable forest management. Many activities are underway: assessment of drivers for deforestation and forest degradation; review of policy, legal and institutional frameworks for creating enabling conditions; training in forest resources monitoring and reporting; and scaling up of best knowledge and practices from demonstration activities. For instance, a review of existing methods for accounting for harvested wood products by Winrock International identified a plan for developing a new accounting approach for wood products in mitigation projects involving tropical timber. A study of quantifying the carbon benefits of ITTO projects is expected to provide guidance on how future ITTO projects can best be developed to achieve maximum effects. New knowledge and best practices that have emerged from the implementation of projects and activities under the REDDES Thematic Programme will promote the role of ITTO as a key partner in the full and effective implementation of REDD+ action plans in ITTO member countries.

Organization of Side Events by the ITTO Secretariat in the COP 17 of the UNFCCC

5.4 At the COP 17 of the UNFCCC (Durban, December 2011), ITTO organized a side event under theme "REDD Readiness - Ready for What?" on 7 December 2011 in partnership with IUCN, The Forest Dialogue (TFD) and JICA in order to review the progress of selected field projects that are supporting tropical countries getting ready for REDD+ implementation. ITTO, in collaboration with IUCN and UNFF, also organized a discussion forum on CPF's Forest Day 5 regarding opportunities and challenges for investments of the private sector in REDD+. It reiterated the importance of the private sector's role in scaling up REDD+ investment in tropical countries. Clear REDD+ mechanism and enabling investment environments in tropical countries are essential for unlocking the full potential of private sector participation in REDD+.

5.5 ITTO is now planning for participation in CPF's Forest Day 6 in the COP 18 of the UNFCCC (Doha, December 2012). ITTO is collaborating with IUCN on the organization of Discussion Forum on "Forest Landscape Restoration – Enhancing More Than Carbon Stocks" on Forest Day 6 on 2 December. ITTO is also arranging the organization of a side event under theme "REDD+ MRV: capturing benefits from community forest management in the tropics" with JICA and FFPRI and UNU-IAS.

ITTO Facilitation to the implementation of REDD+ Feasibility Studies

5.6 Under the bilateral offset crediting mechanism of Japan (Ministry of Economy, Trade and Industry/Ministry of Environment), ITTO has facilitated the conduct of REDD+ feasibility studies in Indonesia and Brazil carried out by the Marubeni Corporation.

5.7 In Indonesia, in collaboration with the Ministry of Forestry, a full feasibility study is now under way to develop a complete REDD+ MRV methodology for the bilateral offset scheme on Katingan Peat Restoration and Conservation Project, Central Kalimantan. In addition to the MRV methodology development, the feasibility study in Indonesia aims at: developing safeguards to ensure that environmental and social issues are evaluated appropriately in decision making in REDD+ implementation to assess and reduce the risks; and establishing a benefit sharing mechanism in line with the government's guidelines. The development of local safeguards is underway by adhering to the guidance of safeguards for REDD+ stipulated in the Annex I in the Cancun Agreements as well as the emerging principles and criteria on safeguards developed within the UN-REDD and the Forest Carbon Partnership Facility (FCPF) initiatives.

5.8 A pre-feasibility study to assess the opportunities for REDD+ projects in the state of Acre, Brazil was finalized in March 2012 by the Brazilian Biodiversity Fund (Fundo Brasileiro para a Biodiversidade-FUNBIO) in collaboration with relevant institutions of the Government of Acre, Brazil. The study clarified legal and institutional frameworks existing in the Acre state for the development of REDD+ projects and identified one area to develop a REDD plus project for forest carbon credits generation.

Public-Private-Partnership REDD+ in the Meru Betiri National Park, Java, Indonesia

5.9 With the support of 7&i Holdings Co. Ltd. of Japan, ITTO has worked for the conservation of carbon and biodiversity in the Meru Betiri National Park (MBNP), Java with the Indonesian Ministry of Forestry through the Forestry Research and Development Agency (FORDA) in collaboration with many local stakeholders including LATIN local NGO and Jember University. Research has been continued to estimate

carbon benefits from REDD+ activities and biodiversity conservation while livelihood supports are underway with improvements in agro-forestry and eco-tourism activities. The preparation of a REDD+ Project Design Document (PDD) is underway with the assistance of international/national experts in accordance with existing examples of the Verified Carbon Standards (VCS) and the Climate, Community and Biodiversity Alliance (CCBA).

6 Conclusion

6.1 Although there have been slow developments in international climate negotiations related to REDD+ since November 2011, consensus has been made on key requirements that REDD+ mechanism should also permit the sub-national format as an interim measure. Discussion on financing options for the full implementation of results-based actions of REDD+ has been facilitated and will be an important agenda at the AWG-LCA in the COP 18 in Doha. Considering multiple benefits of REDD+ actions, it would be useful to explore a mechanism to scale-up incentive systems to ensure such multiple benefits.

6.2 With increased recognition of the rights of indigenous people and local communities over forests and the need to safeguard those rights, it would be worthwhile to be aware that in addition to the establishment of a robust national forest resource monitoring system, result-based REDD+ actions require that safeguards measures are in place with a safeguard information system to monitor the maintenance or enhancement of the long-term social-environmental sustainability of indigenous people and local communities and biodiversity.

6.3 In order to facilitate move from international level climate discussions to national level capacity building, ITTO has carried out a variety of projects and activities to address key requirements of REDD+ at the national and/or project levels. Considering the challenges of the full implementation of results-based REDD+ actions, strong and supportive partnerships through ITTO Thematic Programme on REDDES are essential.

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