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From RED to REDD+ *Background Paper #2*

What is REDD? When was it created? How has it evolved since its conceptualization?

REDD stands for *Reducing Emissions from Deforestation and Forest Degradation*. This expression was used for the first time in its shortened form RED (*Reducing Emissions from Deforestation*) during the 11th UN Conference of Parties (COP 11) in Montreal (2005) by the Coalition for Rainforest Nations led by Papua New Guinea – noting that deforestation was estimated to account for 12-15% of the overall greenhouse gas (GHG) emissions (van der Werf et al, 2009). This reference was part of an advocacy strategy aimed at promoting compensation payments for developing countries that reduce their national rates of deforestation.

Well received at COP 11, the concept was further elaborated, expanded and officially adopted during COP 13 in Bali, Indonesia in 2007 in the form of REDD. The addition of Degradation to this acronym was due to the observation that forest degradation in some developing countries was as threatening as deforestation (if not more) to the forest ecosystems. Following the debates during the 14th COP in Poznan, Poland in 2008, it was decided that REDD should evolve to REDD+ to encompass all the initiatives that can increase the carbon absorption potential of forests.

The insertion of '+' on the acronym REDD is aimed at broadening its scope to include all operations associated with preservation, restoration and sustainable management of forest ecosystems¹. The official definition of REDD+ as set by UNFCCC is as follows: “*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.* (UNFCCC Decision 2/CP.13–11). Following the clarification of its identity and mission, REDD+ won greater importance and since 2008 it has become one key tool for tropical forest countries in the negotiations on climate change under the United Nations.

Why does the world care about REDD+?

The acceptance of REDD + within the international community, its support by donors and promotion in the context of the UNFCCC negotiations are mainly due to the important role of forests (especially tropical forests) in regulating the world’s climate. In fact, when these forests are not cleared or altered, they sequester and store carbon in their systems through their trees, plants and soils. They are therefore regarded as carbon sinks². According to FAO (2010), the world’s forests store an estimated 289 gigaton (Gt)

¹ Reforestation and afforestation remain under the Clean Development Mechanism (CDM). There is an ongoing debate on whether they should be included or not in REDD+.

² For more detail about the issues developed here, refer to Leath, Helmut. 1963. “The Role of Vegetation in the Carbon Dioxide Content of the Atmosphere.” *Journal of Geophysical Research*, Vol. 68, p.3887.

of carbon in their biomass. Consequently, they emerge as a key mitigation tool of climate change. When forests ecosystems are converted to other uses, (e.g. agriculture or ranching), logged, or subjected to any unsustainable exploitation, they release the stored carbon into the atmosphere in the form of CO₂ and CH₄ (methane), thus becoming a contributor to global warming. The FAO (2010) assessment reveals an average loss of 5.2 million hectares of global forest per year between 2005-2010. This equates to an annual release, during this period, of about 0.5 Gt of carbon stocks from these forests into the atmosphere.

REDD+'s main goal is thus to reduce the carbon emissions from deforestation in developing countries and increase their carbon storage capabilities through sustainable forest management programmes. Two major principles underlie the REDD+ mechanisms:

1. Adequate financial compensation should be provided to developing countries in exchange for their efforts to preserve their natural forests, or to participate in sustainable forest management (SFM) initiatives.
2. Financial compensation should be attractive enough to developing countries that, when given the option to preserve or clear forestland, they opt for conservation.

What is the current approach in implementing REDD+ objectives?

There is an overall agreement in the ongoing negotiations on a three phase approach to REDD+ initiatives:

Phase 1 is characterized as the 'readiness' phase. Countries prepare their national REDD+ strategy by organizing multistakeholder consultations, building capacity for monitoring, reporting and verification (MRV) and undertaking demonstration activities.

Phase 2 is characterized as the 'more advanced readiness' phase. Countries focus on the development of implementing policies and measures to reduce emissions as outlined in the national strategy.

Phase 3 is referred to as the full UNFCCC 'compliance' phase. In this phase, tropical forest countries are compensated exclusively for quantified reduced carbon emissions and removals, resulting from enhanced carbon stocks, based on agreed reference levels. In order to be eligible for REDD+ readiness funds, countries submit to the funding institutions (ex. Forest Carbon Partnership Facility (FCPF) of the World Bank), a R-PIN (Readiness Plan Idea Note) and a R-PP (Readiness Preparation Proposal or Readiness Plan). R-PIN describes the country's overall vision for REDD+, situation and challenges and the areas where assistance is needed. R-PP elaborates on R-PIN and provides details on how financial resources will be used. The readiness package that results from the three phases contains three core elements: the National Reference Scenario, REDD Strategy and Monitoring System.

FUNDING

What are the funding institutions and mechanisms in place?

REDD+ financial resources comes from five major institutional arrangements and mechanisms:

1. **The global multilateral donors.** This group is dominated by the UN-REDD Programme and two World Bank institutions: the Forest Carbon Partnership Facility (FCPF) and the Forest Investment

Program (FIP). The Interim REDD+ Partnership created in Paris during the May 2010 conference on forests and climate change could also be mentioned here. This entity made up of an initial group of six developed nations has pledged to provide US\$4.5 billion to assist developing countries jumpstart REDD+ activities.

2. **The regional multilateral funding institutions** like the Amazon Fund which promotes REDD+ projects in the Amazon basin and the Congo Basin Forest Fund (CBFF) that sponsors REDD+ initiatives in the central African countries. The latter focuses predominantly on projects oriented on payments for ecosystems services (PES), community forests initiatives and capacity building.
3. **Bilateral cooperation** finance, with the governments of Norway and Australia as key players in the bilateral funding. A study piloted by CIFOR in 2009 has recorded a total of 109 REDD+ projects (44 demonstration activities, 65 readiness initiatives) with 40 in Asia, 35 in Africa and 34 in Latin America. They were funded by bilateral, multilateral and government sources (Wertz-Kanounnikoff and Kongphan-apirak, 2009).
4. **The private sector and NGOs** are increasingly becoming key players in financing REDD+ projects. These entities can operate in partnership or individually.
5. **Market mechanisms** are also seen as an important financial source. The carbon credit is the main commodity or key exchange value in this market. There are multiple avenues of exchange for example: between developed and developing countries, an industry in North and an industry in the South, two firms or two industrialized countries. A carbon credit is earned when a developing country is engaged in green carbon sequestering activities. One carbon credit corresponds to one ton of carbon and 1 ton of CO₂ can cost over US\$30³). An industrialized country can also earn carbon credits by engaging in low-carbon activities, or if its annual GHG emissions are below the rate set by the Kyoto Protocol. Those with reduced GHG emissions or those who engage in carbon capture activities are the sellers of carbon credit. The buyers are the countries or companies that are net emitters of carbon. The carbon market is thus a trade in which both buyers and sellers can be either from developed or developing countries. It is hoped that cash resulting from the carbon markets can support conservation efforts. So far, avoided deforestation initiatives (REDD+) have contributed marginally to the voluntary carbon market (3% market share and average per-ton price of \$2.90 in 2010). The main reason why market demand for REDD+ credits remains insignificant at the moment is because countries are not legally obligated to offset their emissions since there has been no agreement on limiting global emissions. The major critics against this finance sourcing is that it offers industrialized countries a leeway to buy cheap carbon credit in other countries, in a sense a right to continue polluting instead of reducing their GHG emissions.

INSTITUTIONAL ARRANGEMENTS

What institutional arrangements will be necessary to make REDD+ work?

There is a global trend to admit that funding is only one portion of the huge equation of implementing a REDD+ programme. Among other topics of great concern is the need to set up a global REDD+ institutional framework. The urgency of this framework stems from the fact that the implementation of REDD+ will entail tremendous coordination efforts. Some of the questions underlying the debate around this framework are what architecture will be more relevant? What types of international institutions and

³ Amount that does not really account for the opportunity cost (compensation for lost income)

mechanisms will need to be set in place? What corresponding entities should be created at the forests countries levels to relay potential global REDD institutions? What will be the role of each entity and how will their effectiveness be ensured? One fragment of the debate has been on whether to resort to pre-existing international institutions or create new ones. Despite observed divergences on this issue, there is a growing consensus on five elements of a REDD+ architecture (favoring combination of new and old institutions):

1. An UN body such as the COP with the responsibility of the global oversight of REDD+ projects and the standards setting.
2. An executive or “high-level” entity (accountable to the COP) in charge of day-to-day supervision of REDD+ operations.
3. Administrative and technical bodies to provide secretariat support, apply the standards and provide technical advice.
4. REDD agency(ies) responsible for the design and implementation of REDD+ activities in conformity with agreed policies.
5. National entities in REDD+ countries, entrusted with performing the functions of REDD+ agencies in these countries (Streck Charlotte and al., 2009).

In order for the burgeoning REDD+ architecture to function efficiently, there seems to be a consensus among most stakeholders that: a) good forest governance mechanisms and institutions should be developed and reinforced in forest countries to support the development of transparent accountable systems (especially with respect to management of the funds received and equity in benefit sharing; b) countries’ technical and institutional capacities to monitor not only carbon sequestration, but also the effectiveness of forest management and governance. Despite this consensus, many developing forest countries, the representatives of forest communities, indigenous people, and civil societies’ organizations (CSOs) criticize the overall principle underlying the reduction of GHG via forests and emphasize the need to develop a more socially orientated REDD.

The Accra Caucus on Forests and Climate Change (2008) for example states that REDD+ should not be an excuse for developed countries to not commit to stringent GHG emission reduction. It views market mechanism as not being a viable economic option for forest dwellers. According to Phelps et al. (2010), there is an important risk that some REDD+ operations like the quantification of carbon may lead to the recentralization of forest governance and communities’ marginalization (because of the sophisticated technology they will require and the high financial benefits they will induce). On the ground of these analyses, Accra Caucus (2008) and Phelps et al. (2010) consider as imperative the participation of forest dwellers and CSOs at all levels of REDD+ activities. Incentivizing forest people should be the priority of REDD+. Suggestions are made not only that communities should have control over local REDD+ design and implementation (Phelps & al., 2010), but also that an independent *civil society advisory group* be part of relevant bodies of the UNFCCC (RRI, 2008).

Additionally, the recommendation that land tenure reforms be at the forefront of all REDD+ initiatives has gained prevalence. This recommendation lies on the ground that no fair compensation can be made, no sustainable participation guaranteed, no efficient and equitable markets developed, no livelihoods strengthened, no appropriate opportunity cost determined if the populations’ rights on forests are not clarified and secured. Evidence from research shows that forests with secured communities rights are

better conserved (hence have high forest carbon storage potential) than those under the government's management (Hatcher, 2009). One of the key prerequisites for REDD+ effectiveness and success will therefore be to support initiatives aiming at recognizing, protecting and strengthening the rights of indigenous peoples and forests communities (CIFOR, RRI, WRI, etc.).

This entails supporting comprehensive pro-population land reforms in the forest countries, which in turn implies: mapping and demarcating lands, and setting up more socially orientated standards and right-based MRVs. REDD+ readiness funds should be allocated to the countries on the condition that they will use it to strengthen local rights and forest governance. Although the debate on whether agricultural lands should be included in the REDD+ discussions is not yet settled, there are indications that increased secured rights and economic benefits from forest may lead to diminishing forest encroachment from agriculture. This topic and many other transversal issues are integral part of elements driving the current and forthcoming REDD+ negotiations. They are all illustrative of the fact that a successful REDD+ framework will require powerful cross-sectoral approaches, whereby forest and non-forest related activities are wisely integrated.

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