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Divergent views on financing forests activities

Bonn, 15 Jun (Meena Raman) – Parties in the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) under the UNFCCC expressed divergent views over financing options related to forest-related activities. While many countries supported non-market and market based approaches for funding forest-related activities, some countries expressed caution in relying on the carbon market.

At an informal group meeting held on 13 June which was open to observers to discuss "policy approaches and positive incentives on issues related to reducing emissions from deforestation and forest degradation in developing countries; the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries" known as REDD-plus, Parties were asked by the facilitator, Mr.Antonio La Vina (Philippines) to consider financing options for results based actions as requested by paragraph 77 of the Cancun decision (1/CP16).

(Paragraph 77 of the Cancun decision requests the AWG-LCA "to explore financing options for the full implementation of the results-based actions referred to in paragraph 73 and to report on progress made, including any recommendations for draft decisions on this matter, to the Conference of the Parties at its seventeenth session" that will be in Durban in 2011).

(Paragraph 73 of the decision provides for REDD-plus activities to be implemented in three phases "beginning with the development of national strategies or action plans, policies and measures, and capacity-building, followed by the implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified).

Mexico speaking for the **Environmental Integrity Group** as well as for others including **Colombia, Panama** and **Costa Rica** said that public funding through different funding mechanisms including the Green Climate Fund (GCF) was important. Private funding, it said is also key to incentivize the drivers of deforestation. It called for flexibility in the sources of funding, with options for countries that did not want to use the carbon markets.

Canada said that in phase 3, it saw value in recognizing a wide-range of alternative financing and Parties should look at operationalising the agreed elements on the guiding principles that should inform market and public finance options and the application of social and environmental safeguards.

Bolivia said that financing for robust sustainable forest management systems to reduce deforestation and degradation is important. It stressed the need to support actions that prevent the destruction of forests now such as forest fires. There is need to support capacity building for such efforts and for technology transfer to control the fires. The priority should be to address the need to reduce deforestation and promote conservation. Reliance should not be on the carbon markets as financing has to be secure and not speculative and must not generate offsets. The financing options should not lead to problems for the indigenous peoples, it added.

The **European Union** said that there is need for public financing for all phases and also to mobilize the private sector and drivers of deforestation. Investments should not lead to deforestation. Financing options for results based implementation include bilateral and multilateral delivery channels, including via the GCF and it was open to having a window for REDD-plus under the GCF. There was scope for innovative financing sources including through aviation and maritime taxes. The EU was open to approaches to mobilize the private sector subject to ensuring a compliance system in verifying emissions reductions as well as in ensuring environmental integrity, robust measuring, reporting and verification (MRV) modalities. It clarified that results based implementation is financing ex-post actions while phase 1 and phase 2 are financing ex ante activities.

India said that all sources of financing including from public, private and markets should be considered for results based actions. Separate financial approaches need to be adopted for providing positive incentives for the two types of carbon stocks under the REDD-plus regime, i.e. for (a) change in carbon stocks (with sub-categories for incremental carbon stocks and reduced deforestation) and (b) baseline carbon stocks. India was for a non-market based approach for stocks with reference to actions relating to the conservation of forest carbon stocks and sustainable management of forests while a market-based approach could be considered in the case of actions to reduce emissions from deforestation and from forest degradation, sustainable management of forests and enhancement of forest carbon stocks.

Papua New Guinea said that there was need for a flexible basket of incentives for developing countries to assess what is best. It said public funding should be scaled up through the GCF and market sources could be considered, adding that ensuring environmental integrity was important. Emissions reductions from such actions should be additional and not just be offsets.

Panama and **Costa Rica** also supported a basket of options with market and non-market based approaches.

Guyana said that if forest-related solutions to address climate change are not financed, it would be lost to the logging market. If financing for the full implementation is not assured, there is no incentive for REDD-readiness, policies and trainings. It said that payment must be made for the role of forests in sequestering carbon. Sources could be from both markets and non-markets. In the use of markets, there has to be robust MRV and environmental integrity must be ensured.

Brazil preferred REDD-plus activities to be integrated into the general financing framework (in an apparent reference to the GCF). It said that developing countries need to demonstrate that REDD-plus actions achieve emissions reductions.

Colombia stressed the need for different funding options to cater to those who do not want market mechanisms and those who do. It supported a REDD-plus window in the GCF.

Tuvalu supported community trust funds to assist local communities capacity in REDD-plus activities. It stressed that public financing is key for contributing to actions especially for capacity building for assessments of deforestation and sustainable forest management. Public financing could also support governance and assurance of safeguards. It expressed reservations over market-based approaches as this could only work in a cap and trade system, which would operate either as an offset mechanism or would require developing countries to take quantified emission reduction targets. If it was to operate as an offset, it would be a zero sum game and if it was through the establishment of quantified targets among developing countries, given the different capacities, there could be high likelihood of leakage. It was also concerned about unusual accounting operations in the voluntary markets.

Tuvalu also expressed concerns over existing funding through the World Bank and UNEP, which are creating expectations of REDD-plus activities being involved in carbon markets.

Indonesia expressed support for exploring REDD-plus financing from all sources, both market and non-market.