



# REDD at Scale: National and Subnational Approaches

Duncan Marsh  
Director of International Climate Policy

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# Overview

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- Key Policy issues: Scale of Accounting
- Risks and Opportunities of Various Approaches
- Emerging Policy Developments: US and International



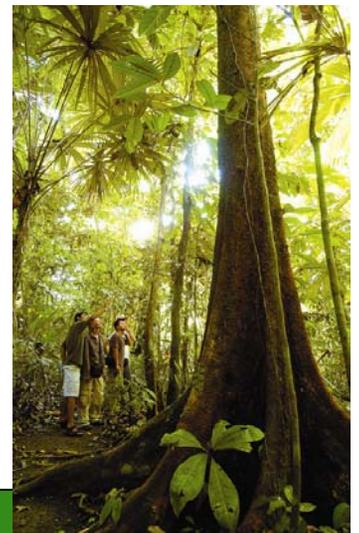
# Building the political constituency



# REDD: Select key negotiating issues

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- Structural issues:
  - Scale: nation-scale vs. project-scale (“sub-national”) approaches:
    - Sovereignty issues
  - Integrating different levels of government:
    - Incentives, authority, accountability, and action
    - *Who owns the forests... and the carbon rights?*
  - Scope: what activities will be included (“REDD+”??)
    - Including reforestation?
    - Other terrestrial carbon sources
    - Peatlands; agricultural land management?

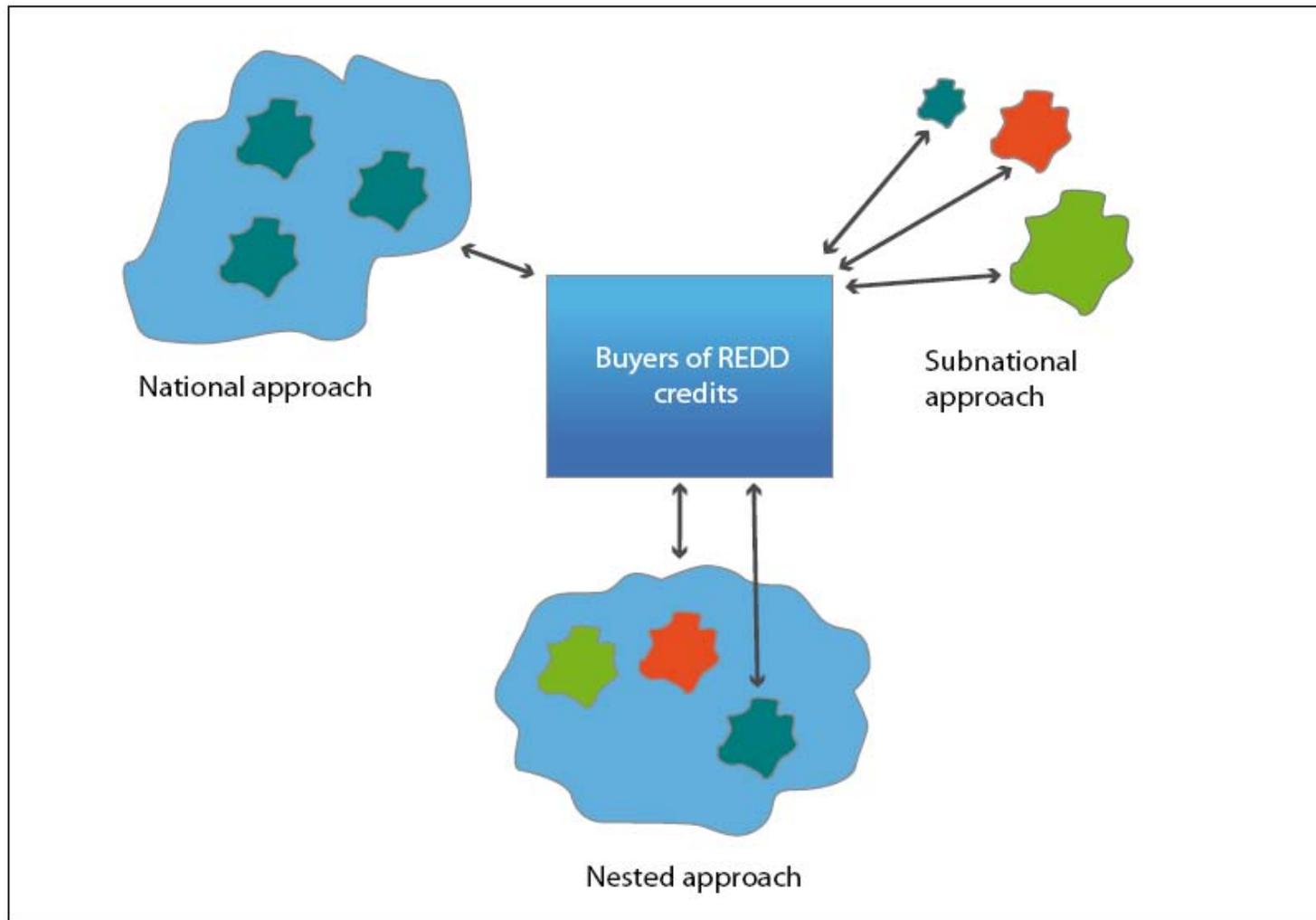


# REDD will require in countries...

- Carbon stock monitoring systems
- Developing/implementing credible land-use planning, and infrastructure planning
- Establishing effective forest governance mechanisms;
- Enhancing protected area management;
- Promoting legal and sustainable management of production forests;
- Mitigating impacts on forest resources from agriculture and other commodity sectors;
- Effective and equitable distribution systems for incentives and revenues generated by REDD financing mechanisms



# Various Possible Scales of REDD



Source: Angelsen, A., C. Streck, L. Peskett, J. Brown, and C. Luttrell. 2008. *What is the right scale for REDD?* In: *Moving Ahead with REDD: Issues, Options and Implications*

# Sub-National Approaches

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- Pros:
  - Direct control over drivers and other factors, and project performance
  - Investment model is straightforward:
    - equity investment or purchases of ERs
  - Can help contribute to building essential institutions in countries
- Cons:
  - Leakage risks are high
  - Does not achieve reductions at necessary scale: fails to engage many necessary tools and measures
  - Permanence risk is higher

**→ Policy community focused on transition to national accounting, especially for larger countries**

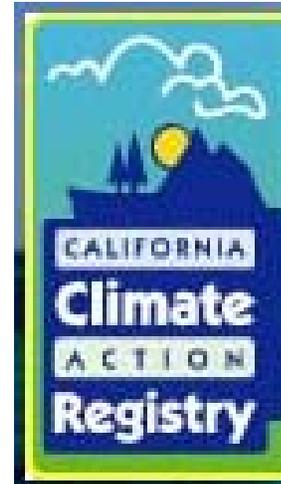
# Standards Development

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## Voluntary Standards



## Compliance Standards



**RGGI Inc.**



# National Approaches

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- Governments adopt a national baseline
- Free to implement reductions from baseline
  - Policies and measures
  - Projects



# National Approaches

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Ways for private capital to engage:

1. Purchasing ERs directly from national governments
  - Perhaps most efficient through pooling mechanisms
2. Direct investment in projects
  - Would require risk-sharing and benefit-sharing agreements with national governments

# Nested Approach

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- National accounting must be in place; all reductions must reconcile back to this national baseline.
- Governments would have option to allow project developers to sell directly to international market
  - Such reductions would be reconciled with international baseline.
- Should successful projects be compensated if the country fails to perform at the national level?
- Tools to manage this risk:
  - Buffer reserves
    - Could be pooled internationally
    - May be useful even for national-only approaches



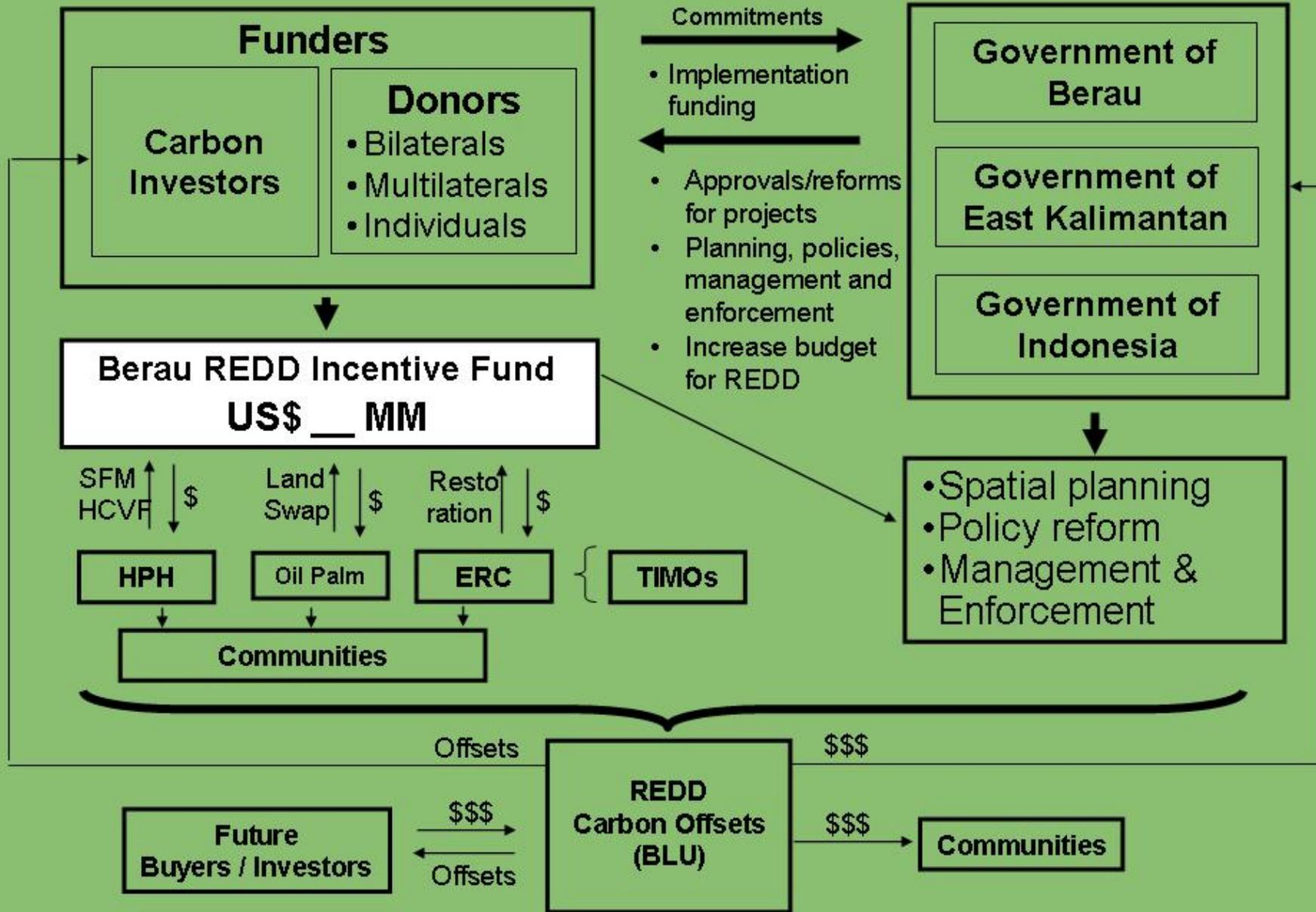
# REDD: Berau Indonesia



- District scale / 2.2 MM Hectares
- (District is key land management unit)
- Key strategies:
  - Oil palm
  - Sustainable forest mgmt.
  - Land-Use Planning
- >7 MM tons CO<sub>2</sub> in 5 years

# Berau REDD Deal Structure

Draft



# For discussion

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- What approaches present greatest risk and opportunity for investors?
- What tools are available to manage these risks?
- Relevance of comparable accounting mechanisms (e.g. Joint Implementation);

# Key forest provisions in Waxman-Markey draft

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- Set-asides of 5% of emissions allowances (revenues from auction) for international forests. Targeted toward:
  1. Emissions reductions (very high estimates)
  2. “Readiness” (investing in capacity)
  3. Combating international leakage to low-deforestation countries
- Offsets:
  - Discounted at 5:4 ratio (-20%)
  - Only from countries with a national baseline for the sector
  - Limit of 2 billion tons annually from all offsets (not just forests)
- Requires bilateral or multilateral agreements
- Scope:
  - Only certain activity is avoided deforestation; degradation (and peatlands) *may* be included

***Forests are the only international assistance spelled out in the W-M draft***

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Thank you

Duncan Marsh  
dmarsh@tnc.org