Stimulating Demand for REDD+ through Additional Mitigation Targets

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Meridian Institute
Connecting People to Solve Problems

Contents

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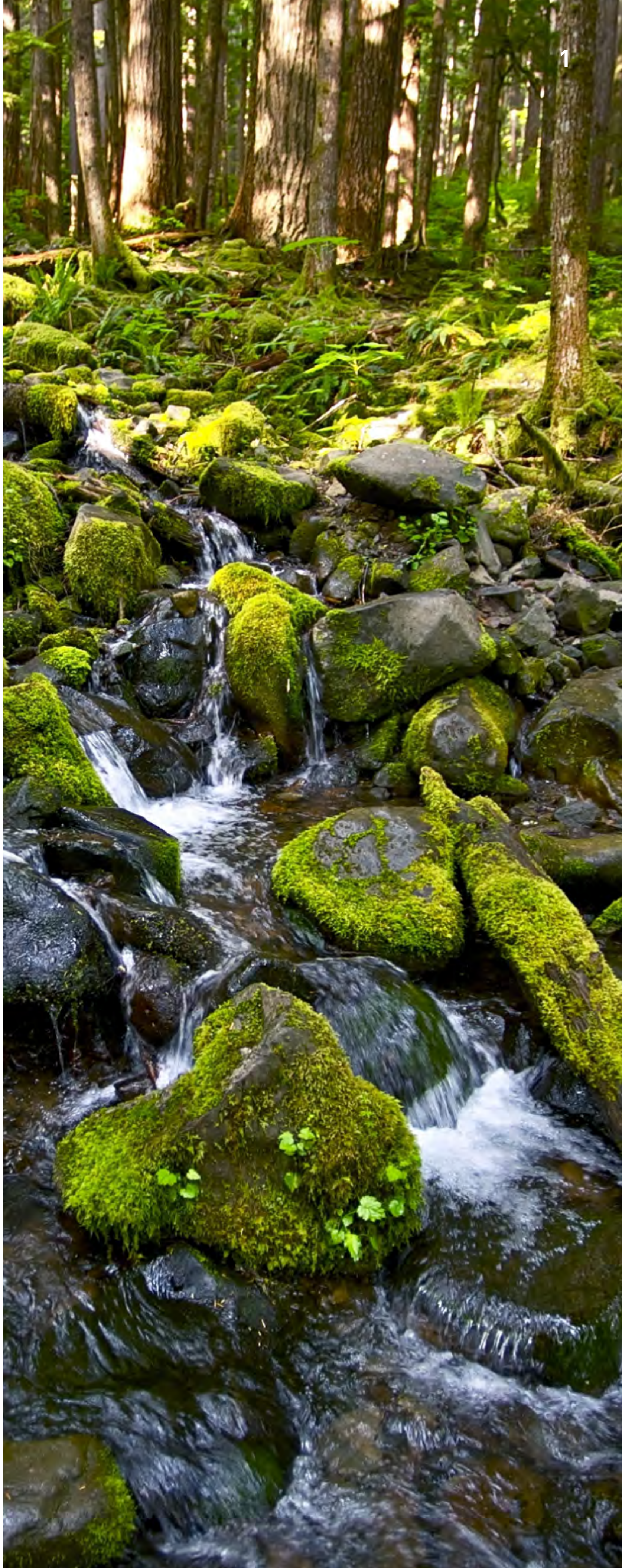
Abstract

This paper evaluates options for the European Union (EU) and its Member States to support the December 2015 Paris climate negotiations through commitments for international mitigation. It takes the EU pledge to reduce domestic emissions by 40 percent by 2030 as a starting point, noting that additional efforts are needed to achieve the 2°C climate stabilization goal. Since additional domestic mitigation may be difficult to negotiate before the December climate conference, this paper recommends that the EU assume additional international mitigation commitments. REDD+ offers a unique opportunity for such additional action, considering that the negotiations defining REDD+ are comparatively advanced and REDD+ is already supported by implementation partnerships between developed countries and tropical forest countries.

The EU could facilitate international mitigation actions by defining a more ambitious mitigation target and opening the target to international offsets, including REDD+. It could also formulate separate international mitigation targets under which the EU or its Member States would commit to achieve a certain percentage or an absolute number of emissions reductions in developing countries. Such an international mitigation target could include a quota for REDD+ credits or a separate REDD+ target. International mitigation targets could be formulated at the EU or the Member State level. They could be announced as political pledges before or at the Paris conference and integrated into the 2030 EU Climate and Energy Framework in the context of the deliberations for a new Effort Sharing Decision covering 2021–30 to be negotiated in 2016.



1. Introduction: Mobilizing Additional Climate Change Action

In October 2014, leaders of the European Union (EU) agreed to reduce domestic greenhouse gas (GHG) emissions by at least 40 percent over 1990 levels by 2030.[1] This target is the EU's intended nationally determined contribution (INDC) to the UN Framework Convention on Climate Change (UNFCCC) announced ahead of the December 2015 Paris climate conference.[2] It was the result of a political compromise reached at times when many EU states faced significant economic challenges. A 40 percent reduction represents what was politically feasible. It does not represent what is scientifically necessary.

To limit climate change to 2°C above industrial levels, the EU needs to do more. Given the EU's current emissions trajectory, available resources, and historic responsibilities, the 40 percent domestic mitigation target is at the lower end of ambition. It is below the reductions proposed by some Member States,[3] and it will result in a significant mitigation gap – the difference between the aggregate of global mitigation commitments and what is required to avoid more than 2°C of warming.[4] In short, the EU can and should do more to ensure that its target is both "fair and ambitious" as called for in the Lima Call for Climate Action adopted at the 2014 UNFCCC Conference of the Parties.[5]

1 European Commission, "2030 Framework for Climate and Energy Policies," available at http://ec.europa.eu/clima/policies/2030/index_en.htm.

2 Latvia and the European Commission on behalf of the European Union and its Member States, "Intended Nationally Determined Contribution of the EU and its Member States," available at http://ec.europa.eu/clima/news/docs/2015030601_eu_indc_en.pdf.

3 Some Member States such as Germany, the UK, and Sweden, have targeted higher mitigation goals. Germany aims for 40 percent GHG emissions reductions by 2020, 55 percent by 2030 and 80-95 percent by 2050, compared to 1990 levels, see http://www.bmub.bund.de/en/topics/climate-energy/climate-initiative/general-information/; UK aims at carbon emission reduction by at least 80% by 2050 compared to 1990; http://www.legislation.gov.uk/ukpga/2008/27/pdfs/ukpga_20080027_en.pdf; Sweden aims at emission reductions of 75-90 percent by 2050 compared to 1990 and close to zero GHG emissions by the end of the century, see http://www.regeringen.se/contentassets/b7ad2a706ce140c8b606407d34095a7c/svensk-klimatpolitik-hela-dokumentet-sou-200824.

4 For emissions gap analysis see M. Woolsin, and M. Belenky, "Gap Analysis with Paris Pledges," available at http://www.climateadvisers.com/wp-content/uploads/2015/06/Climate-Advisers-Paris-Analysis-May-2015.pdf.

5 COP 20, " Lima Call for Climate Action," para. 14, available at http://unfccc.int/resource/docs/2014/cop20/eng/10a01.pdf.

> *"The opportunity costs for domestic emission reductions beyond 40 percent in the EU are considerably higher (on average) than reductions in developing countries."*

Financing additional emission reductions internationally is likely politically and economically more feasible than making further domestic commitments. The opportunity costs for domestic emission reductions beyond 40 percent in the EU are considerably higher (on average) than reductions in developing countries. The mitigation potential in fast growing emerging economies is also higher and more cost-efficient than in many developed countries. International mitigation action also opens the opportunity for partnerships with developing countries that support an ambitious climate agreement in Paris.

Supporting emission reductions from forestry and land use in developing countries can help close the gap in ambition for EU countries. A goal of zero net deforestation by 2020 would eliminate the 5 giga tonnes of CO_2 equivalent ($GtCO_2e$) per year from the destruction of tropical forests.[6] The mitigation opportunity is particularly prominent in developing countries where a large proportion of emissions are from land-use changes. Reducing emissions from forests through REDD+ (reducing emissions from deforestation and forest degradation and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks) and supporting low-carbon strategies for agriculture not only reduce emissions but have significant adaptation, livelihood, and biodiversity benefits. These mitigation strategies are also comparatively cost-effective.

6 Marion G. Bastos Lima, Josefina Braña-Varela, Hermine Kleymann, Sarah Carter, (2014), "The Contribution of Forests and Land Use to Closing the Gigatone Gap by 2020," WWF, University of Wageningen, Policy Brief 2, September. Dough Boucher, Kalifi Ferretti-Gallon, (2015), "Halfway There? What the Land Sector Can Contribute to Closing the Emissions Gap," Union of Concerned Scientists.

The EU has already committed to significant emission reductions from REDD+. Echoing an earlier (informal) commitment,[7] the EU endorsed the 2014 New York Declaration on Forests that pledges to halve tropical deforestation by 2020, eliminate it by 2030, and reforest and restore 150,000 hectares of degraded landscapes.[8] The EU has been a vocal supporter of REDD+ for some years, supporting it politically, financially, and through implementation partnerships with tropical forest countries. REDD+ support is also strong among Member States, some of which coordinate their policies. For example, at the 2014 New York summit, Germany, Norway, and the United Kingdom released a joint statement indicating they "stand ready to scale up results-based finance for large-scale, REDD+ emission reduction programmes," if countries put forward robust proposals. The three countries said they "will also consider payments for results […] responding to the level of ambition and results by REDD+ countries."[9]

This paper describes how the EU could increase its contribution to climate mitigation by adding international mitigation targets and shows the role REDD+ could play in meeting such targets. Combining additional targets with a certain flexibility to achieve them, including through REDD+, holds significant political and economic gains. It is however unlikely that the EU will raise its emissions reduction target before the December 2015 Paris conference. Our analysis therefore includes recommendations for actions that Member States (or groups of Member States) can take by Paris.

Note that this paper does not discuss the relative merits of REDD+ compared with other mitigation options, nor does it suggest any reduction of domestic EU emission reduction efforts.

2. International Mitigation Targets

International mitigation targets could bridge the gap in EU ambition between politically feasible domestic mitigation commitments and the need to keep warming below 2°C.

With political will, the EU or its Member States could commit by the 2015 Paris climate conference to implementing additional emission reductions outside of the EU. These additional commitments could be pledged either at the EU or the national level. They could be divided among the most ambitious Member States, for example, those in the Green Growth Coalition (GGC).[10] The 14 European governments that support GGC have expressed their willingness to "consider raising the ambition of the GHG reduction target at the level of EU action, including through the use of international carbon market mechanisms."[11] Although increasing the ambition of the current climate commitment among all EU Member States would be challenging, an additional commitment by a few Member States should be possible without prejudging the discussion of future effort sharing, given that an international pledge would be separate from an addition to the domestic EU mitigation pledge.

Ambitious Member States could make unilateral pledges toward international mitigation targets in Paris. Additional targets—including political pledges by Member States— made before the Paris climate conference would send a powerful political signal to the international community. The legal recognition of such additional efforts under the EU 2030 Climate and Energy Framework would require the agreement of all Member States,[12] which could be done later in the 2016 EU Effort Sharing Decision.

7 European Commission, "Addressing the challenges of deforestation and forest degradation to tackle climate change and biodiversity loss," Communication COM(2008) 645 final, available at http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0645:FIN:EN:PDF.

8 UN Climate Summit, (2014), "New York Declaration on Forests," http://www.un-redd.org/portals/15/documents/ForestsDeclarationText.pdf.

9 See https://www.gov.uk/government/news/joint-statement-on-redd.

10 Ibid.

11 Green Growth Group Ministers' –" Next Steps on the EU 2030 Climate and Energy Policy Framework," statement, available at https://www.gov.uk/government/news/green-growth-group-ministers-statement-on-2030-energy-climate-policy-framework.

12 The Effort Sharing Decision 2030 will probably be adopted under Article 192 (1) of the Treaty on the Functioning of the European Union, which foresees a qualified majority vote by the European Council. In practice, however, the Council is likely to seek agreement from all Member States. See also the European Council Conclusions of October 2015,"… The European Council will keep all elements of the framework under review and will continue to give strategic orientations as appropriate, notably with respect to consensus on ETS, non-ETS, interconnections and energy efficiency…" (fn 1, para. 1).

International mitigation pledges would be additional to the EU's 40 percent domestic mitigation target; they could take three forms. To enhance incentives for REDD+, the targets could include commitments to acquire a certain number of REDD+ credits or could earmark additional international finance for REDD+. Supplemental action could be supported through a mix of private and public financing instruments. Three ways to formulate these international commitments are described below.

- **Increase the overall mitigation target (General Mitigation Target).** The EU could increase its mitigation ambition, for example, to a 50 percent reduction compared with 1990 levels, and provide Member States with the flexibility to meet the additional 10 percent effort through international emission reductions, including verified emission reductions from REDD+ (REDD+ credits). These international "offset" credits would be limited to the additional 10 percent of the target, and would not affect the EU's original 40 percent target for domestic action.
- **Establish a separate international mitigation target (International Mitigation Target as part of a Dual Target).** The international mitigation target could complement the domestic mitigation target, resulting in dual targets. No domestic emission reductions would be offset. The international target could be expressed in emission reductions (as tCO_2e) or additional financial commitments. It could be met with REDD+ credits, among other methods.
- **Set specific REDD+ targets (REDD+ Target).** Part – or all – of a dual target could be earmarked for REDD+. There could be a REDD+ quota as part of the international mitigation target or a separate REDD+ mitigation target.

International Mitigation Targets differ from traditional flexibility mechanisms that rely on the transfer of emission offsets in that they do not count third-country reductions toward EU or Member State domestic targets. Adding international mitigation targets may be more feasible politically than increasing general mitigation targets. A Dual Target, limited to REDD+ or not, would not include any offsetting. Instead it would commit the EU (or the pledging Member States) to providing the finance and technical assistance required to make reductions politically, economically, and technically feasible in developing countries. This would most likely require partnerships between the EU and third countries, in which the third countries would adopt more ambitious mitigation goals conditional on EU financial and technical support.

An International Mitigation Target constitutes a dedicated effort to support mitigation actions in developing countries. By adopting a combined or Member State-specific International Mitigation Target, the EU would send a strong signal to developing countries that their mitigation efforts would be supported. A dedicated target makes financial flows more predictable for partner countries, and creates a race to the top among countries eligible to supply emission reductions to the EU. The EU – or individual Member States – could decide to acquire certain categories of credits (e.g., REDD+, Clean Development Mechanism in least developed countries, credits under new market mechanisms) or credits from designated partner countries. Depending on the funds' operational modalities, the EU could also source credits via the Green Climate Fund (GCF).

Table 1: Three Options for International Mitigation Action

	Nature of Commitment	EU or Member State Commitment
General Mitigation Target	Additional EU emission reduction target (-40% + x%) that may be partially supported by international mitigation action, including REDD+ credits. The increase of overall ambition cannot lead to a reduction of the -40% mitigation goal. The use of international credits / offsets would be limited to the increase in overall ambition.	A general mitigation target would be formulated at the EU level. The additional mitigation effort could be distributed among ambitious Member States. Such additional mitigation commitment can formally be recognized in the next Effort Sharing Decision (ESD) in 2016 (2021–30).
International Mitigation Target (as part of a Dual Target)	Target for international mitigation, separate and in addition to the -40% target. The international mitigation may include a quota for REDD+. It may be combined with a financial ceiling (fixing a maximum price to be paid per emission reduction). It could also be expressed in tCO2e.	The International Mitigation Target could be formulated at the EU level, by a group of Member States, or by individual Member States. They could decide to dedicate a specific quota to REDD+. If there is no agreement at the EU level, Member States could announce additional commitments as political pledges in Paris. These pledges can later be recognized in the next ESD.
REDD+ Target (Dual Target limited to REDD+)	Pledge is specific to international mitigation (REDD+ or multi-sectoral) without additional EU-level reductions.	It is unlikely that the EU will formulate a separate target for REDD+. However, individual Member States can pledge to meet parts or all of an International Mitigation Target with REDD+ credits.

Coordinated International Mitigation Targets could be embedded in a strategic partnership that includes finance, technology transfer, and public-private partnerships. Partnerships could also include the collaborative design of financing tools (e.g. green bonds or investment guarantees).[13] There are indications that developing countries may be willing to consider such mutually beneficial partnerships. Of the few developing countries to have submitted INDCs to date, both Mexico and Morocco proposed unconditional and conditional emission reduction targets.[14] The latter specify increased levels of ambition linked partly to the provision of financial support within a new international agreement.

Going even further, International Mitigation Targets could be formulated as joint-responsibility targets. The Kyoto Protocol allows Annex I Parties to meet their emissions targets "individually or jointly."[15] There is no reason why, in principle, a future agreement could not allow developed and developing countries to form joint targets. As with the Kyoto Protocol, in case these Parties fail to achieve their total combined emission reductions jointly, each would remain responsible for its own targets.[16] This arrangement would create a formal incentive for developed and developing countries to cooperate on emissions reductions, and enable both to commit to more ambitious targets. Joint targeting by developed countries and tropical forest countries could create a powerful new basis on which to finance forest conservation.

The International Mitigation Target could be met with REDD+ credits, among others. Such targets could be expressed as emission reductions (tCO_2e) or as financial pledges. However, expressing a minimum target in both tCO_2e *and* financially (e.g., requiring at least 1 billion tons *and* at least US$5 billion) would ensure a minimum financial commitment in the event that international credits are traded below USD5 per tCO_2e,[17] and a minimum mitigation commitment in the event that credits are priced above USD5 per tCO_2e.

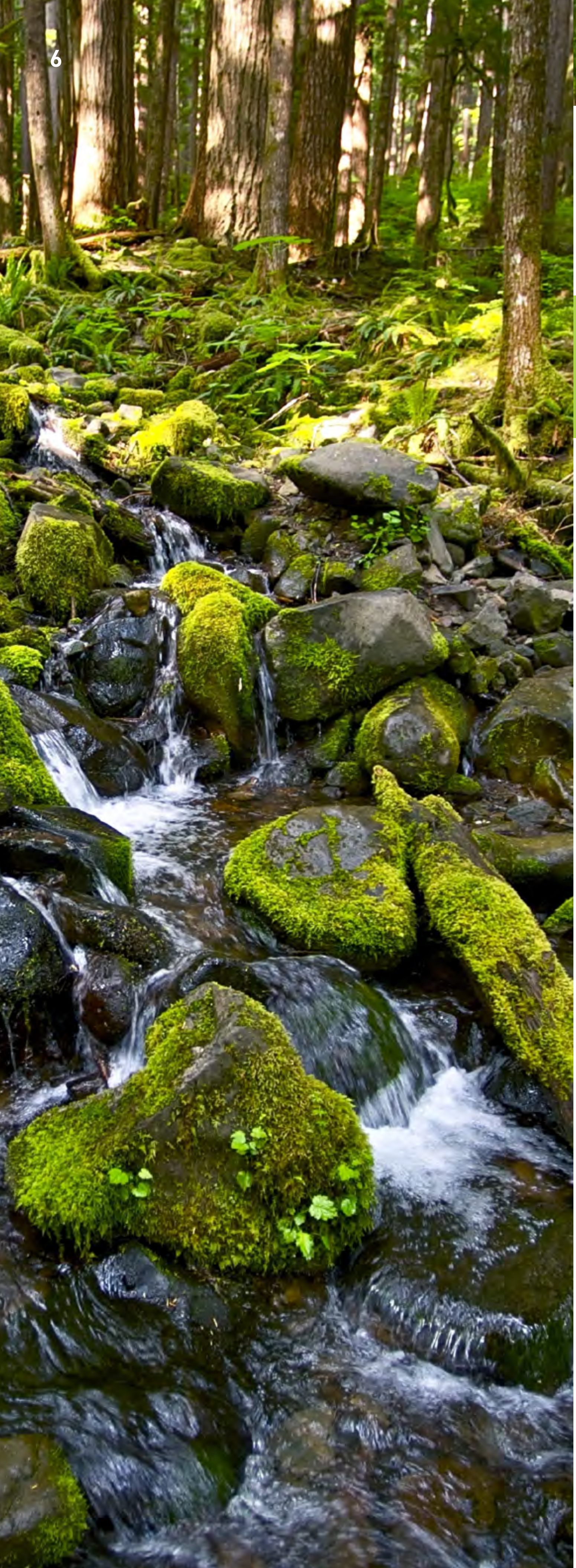
13 See also the G7 Leaders Declaration from Elmau (8, 9 June 2015) and the commitments to work on innovative financing instruments for climate change, available at http://www.bundesregierung.de/Content/DE/_Anlagen/G8_G20/2015-06-08-g7-abschluss-eng.pdf?__blob=publicationFile&v=5.

14 See submissions of INDCs at http://www4.unfccc.int/submissions/indc.

15 Kyoto Protocol to the United Nations Framework Convention on Climate Change, 10 December 1997, U.N. Doc FCCC/CP/1997/7/Add.1, 37 I.L.M. 22 (1998) Article 3.1.

16 Ibid, Article 4.5.

17 Or some other agreed sum. USD 5 tCO_2 is the amount currently offered by Norway through its bilateral REDD+ deals, and the maximum amount the FCPF Carbon Fund has agreed to offer.




3. Sourcing REDD+ Emission Reductions

REDD+ credits can be sourced through bilateral or multilateral partnerships that secure high environmental credibility and a maximum of co-benefits.

The acquisition of REDD+ credits constitutes an international mitigation strategy that combines sustainable development benefits with cost-efficient GHG mitigation. REDD+ is formulated as a sectoral mitigation mechanism that foresees the accounting of emission reductions at the national or jurisdictional levels. As such, REDD+ has significant political benefits because it is well placed to generate credits in the context of government-to-government cooperation.

In cooperation with forest countries, REDD+ credits could be ensured through different strategies:

- Bilateral partnership agreements between the EU and REDD+ countries
- Bilateral agreements between EU Member States and REDD+ countries
- Approved multilateral or bilateral programs

The European Commission can enter into bilateral partnership agreements on behalf of the EU. Both the EU ETS Directive and the Effort Sharing Decision (ESD) provide the possibility of allowing offset credits generated under bilateral agreements between the EU and partner countries. To date, no bilateral agreements have been concluded and there are few indications that any are under negotiation. The European Commission has stated, however, that the "primary focus of potential bilateral agreements [is to create] demand for credits from new market mechanisms (NMMs) and to pilot the establishment of such NMMs."[18] NMMs are discussed under the UNFCCC. The EU is pressing for the modalities and procedures of NMMS to be established as soon as possible, and is exploring the idea of setting up pilot

18 See "Commission's Frequently Asked Questions on International Credits in the EU ETS," http://ec.europa.eu/clima/policies/ets/linking/faq_en.htm.

programs in sectoral crediting.[19] It also indicated that it "is very open with regard to the scope of bilateral agreements that might be reached"[20] and in a 2012 submission to the UNFCCC, the EU put forward modalities and procedures for a NMM that arguably permits activities in the land-use sector.[21]

In the absence of EU action, individual Member States could enter into bilateral partnership agreements with REDD+ countries. Similar to the partnership agreements between the subnational states of California (United States), Chiapas (Mexico), and Acre (Brazil), individual Member States (or groups of Member States) could enter into bilateral agreements with REDD+ partner countries. Such agreements would embed the sourcing of REDD+ credits into a broader bilateral or multilateral cooperation as well as stipulate the minimum requirements for the generation of acceptable REDD+ credits. Such credits could be used to meet the International Mitigation Target under a Dual Target or serve as offsets under a more ambitious General Mitigation Target.

REDD+ emission reductions could also come from credible existing REDD+ programs. Initiatives such as the World Bank-administered Forest Carbon Partnership Facility 's Carbon Fund and BioCarbon Fund, or the REDD Early Movers program[22] have put effort into defining credible rules leading to high-quality REDD+ credits. Instead of negotiating rules from scratch, the EU or its Member States could agree to meet their additional commitments by acquiring REDD+ credits generated by these programs. The same strategy may eventually apply to the GCF, though it is unclear whether there will be a REDD+ window under the GCF and, if so, how it will operate. Possible restrictions on the earmarking of funds by donors may prevent the EU or Member States from targeting REDD+ programs under the GCF.[23]

19 See http://ec.europa.eu/clima/policies/ets/linking/index_en.htm.

20 See the "Commission's Frequently Asked Questions on International Credits in the EU ETS."

21 Submission by Cyprus and the European Commission on behalf of the European Union and its Member States, Draft COP Decision on the modalities and procedures for the NMM, contained in Document FCCC/AWGLCA/2012/MISC.6/Add.6, 26 November 2012.

22 A number of EU Member States are already major contributors to these funds, most notably the UK and Germany

23 See http://www.gcfund.org/fileadmin/00_customer/documents/MOB201410-8th/GCF_B.08_15_Outcome_IRM_fin_20101002_reissue.pdf.

> ***"REDD+ is formulated as a sectoral mitigation mechanism that foresees the accounting of emission reductions at the national or jurisdictional levels. As such, REDD+ has significant political benefits because it is well placed to generate credits in the context of government-to-government cooperation."***

If such partnerships are formed, clear and transparent rules would be needed to avoid double-counting emissions and emission reductions. If a General Mitigation Target is adopted, with REDD+ allowing for flexibility to meet higher domestic targets, there would have to be some form of transfer of REDD+ credits to the EU or Member States under clear accounting rules to prevent both the forest country and the EU or Member State from counting the same emission reductions. Additional provisions specific to REDD+ credits—for example, the use of buffer accounts to mitigate the risk of "reversals"— would also need to be in place.[24] If a Dual Target was adopted, with the REDD+ credit used to meet an International Mitigation Target, no transfer of credit would be necessary; however, the corresponding emission reduction would count against the international target of the EU partner. If a joint-responsibility target is formulated between the EU or a Member State and a REDD+ partner country, clear accounting rules would need to specify the proportion of REDD+ credits generated that could be counted by the tropical forest country versus the proportion that could be counted by the EU or Member State.

If REDD+ emission reductions are sourced through bilateral or multilateral programs, it is recommended to formulate minimum quality criteria. Such criteria would have to apply to all credits used for compliance under an additional or more ambitious EU target. Such criteria could relate to the environmental credibility of the mitigation effort and to reference levels and the measurement and verification methodologies. They could also relate to social and environmental co-benefits and REDD+ safeguards.

24 A reversal is the risk of nonpermanence, that is, that an emission reduction could be reversed due to anthropogenic disturbance of forest.

4. Conclusions and Roadmap

The long-term benefits of additional mitigation action far outweigh the additional costs. REDD+ provides a credible mitigation strategy in the context of additional international mitigation targets.

As the Paris climate conference approaches, the reduction of emissions from tropical deforestation remains an important policy priority. Efforts to define a framework for REDD+ have progressed relatively far compared with other issues treated under the UNFCCC. The success in negotiating REDD+ has stimulated action in many developing countries and has created bilateral and multilateral partnerships supporting such action. Anchoring REDD+ in the Paris agreement will help sustain the interest of many countries to further strengthen the momentum in implementing forest-related climate action.

The cooperative spirit that surrounds REDD+ provides an opportunity for joint leadership of developed and developing countries under the UNFCCC. Partnerships between EU and tropical forest countries could serve as a model for how collaborative action can generate real and measurable climate benefits. For example, forest countries would commit to action and embark on reforms; companies would take action to improve the sustainability of their commodity supply chains; and EU countries would provide financial and political incentives as well as technical and capacity support.

To increase its climate ambition and support mitigation partnerships with tropical forest countries, the EU would have to mobilize additional finance and demand for REDD+ credits. The EU could mobilize demand for REDD+ credits by increasing the ambition of its 2030 emission limitation target. Such an increase in ambition could be expressed as a General Mitigation Target that would allow REDD+ and other international offsets for compliance, or as an additional International Mitigation Target, which would formulate obligations to achieve the target by supporting additional emission reductions abroad.

Ideally, the EU as a whole would commit to additional action. But if that is not possible, individual Member States can make additional pledges. Member States – or groups of Member States – cannot set a new EU mitigation target. However, they can commit to additional international mitigation. Such commitments would start as political pledges before or at the Paris conference. During 2016 these pledges could be integrated into the EU 2030 climate and energy policy framework. Figure 1 summarizes the options for action.

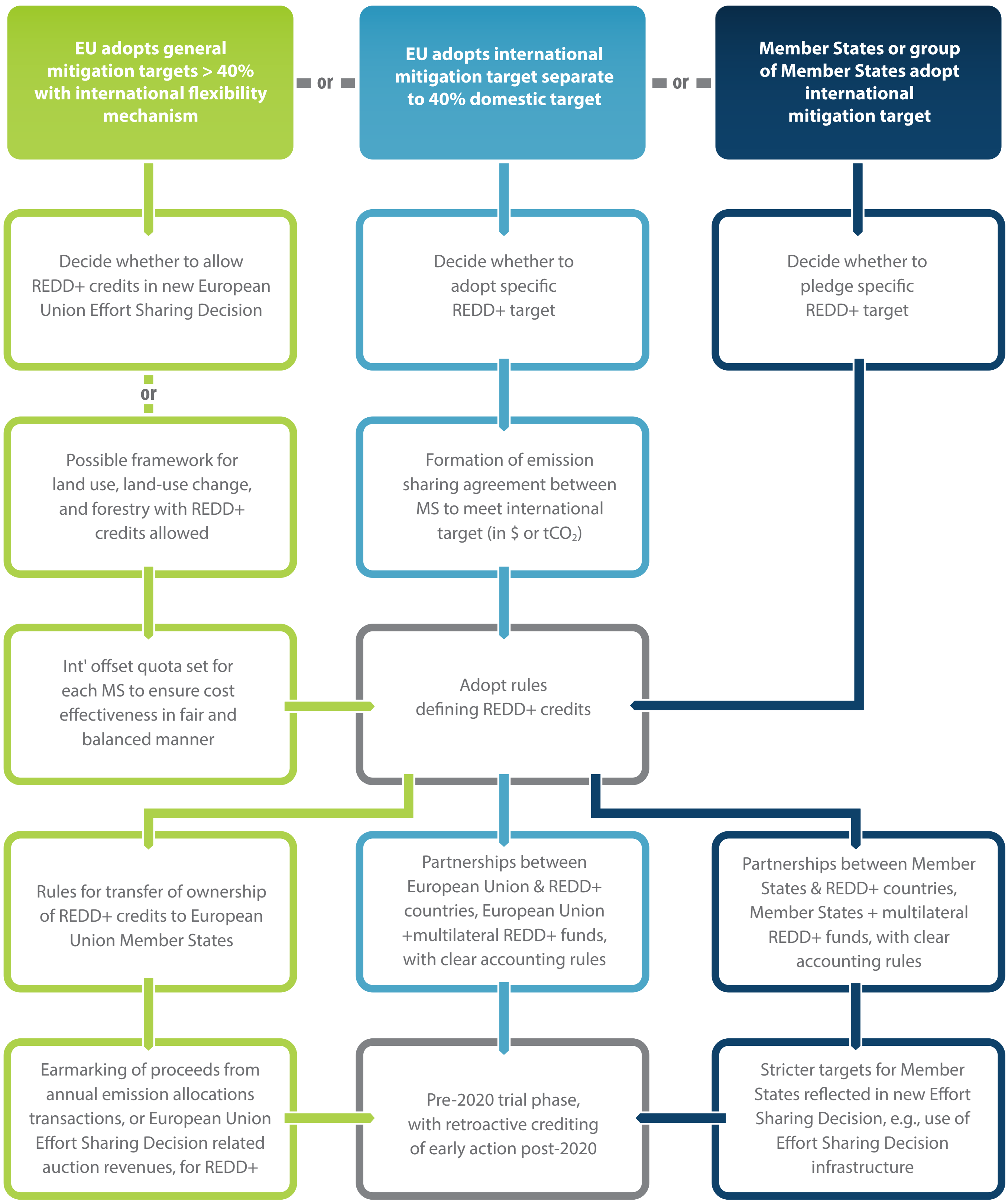
Political pledges of Member States could be included in the new 2030 Effort-Sharing Decision (ESD). While the EU ETS leaves little room for additional mitigation targets, new commitments can be included in the 2030 ESD which is expected to be negotiated in 2016. The ESD formulates emission targets in non-EU ETS sectors for Member States. The ESD 2030 can formalize international mitigation pledges made by Member States. If there is agreement to set a more ambitious General Mitigation Target, the ESD could also permit REDD+ as an eligible offset category.

International pledges should be closely coordinated with tropical forest countries. They could even be formulated as joint mitigation targets with both EU and partner countries equally responsible to achieve the pledged emission reductions. The sourcing of REDD+ credits through partnerships with forest countries allows the definition of quality criteria applicable to all sourced credits.

Because REDD+ is conceived as a mechanism that accounts for climate benefits at the national or jurisdictional levels, it is suitable for government-to-government partnerships. Countries that negotiate REDD+ partnerships can agree on the percentage of REDD+ credits to be transferred to the party that provides funding and the percentage that counts as "own mitigation contribution" of the tropical forest country. Parties can also agree on strategies to avoid double-counting (e.g. nesting, registries, buffers) and on criteria that ensure environmental and social benefits of REDD+ measures.

There is no single policy solution to climate mitigation, with significant costs and benefits associated with all approaches. However, in most cases, long-term benefits will far outweigh the costs, and this is certainly true of REDD+. In the context of the UNFCCC, REDD+ is one of the few mechanisms that can already rely on a negotiated finance framework. It is also characterized by a particularly cooperative spirit between countries and by tested bilateral partnerships. REDD+ therefore provides a unique opportunity to take advantage of existing frameworks and international partnerships backed by significant technical experience and political will to implement.

Figure 1: Options for Action on International Mitigation Targets



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