India Submissions on REDD

Souparna Lahiri

National Forum of Forest People & Forest Workers

India’s approach

- Introduced the concept of ‘Compensated Conservation’
- The concept of REDD and submissions were driven by ICFRE – Indian Council of Forestry Research and Education, Dehradoon
- An observer organisation with UNFCCC, but India’s National Focal Point

Policy Approach…

- acknowledging the seriousness of threat of deforestation as a major contributor of GHG emissions
- Protection, and sustainable management of forests need to be considered as positive practices to avoid deforestation
- countries that have implemented strong conservation measures and regulations be suitably compensated under the instrument of REDD.

The Indian concept…

- '**Compensated Conservation'** is intended to compensate the countries for maintaining and increasing their forests as carbon pools as a result of conservation and increase / improvement in forest cover backed by a verifiable monitoring system
- In 2007, India favoured a national level REDD approach to work outside CDM, and financially supported by a specially designed and designated fund to operationalize REDD concept
- comprehensive approach at national level can be developed by integrating existing IPCC 2006 guidelines, GPG, and use of remote sensing technologies for estimation, acceptance and disbursement of positive incentives.

Forest and forest cover

- to ensure uniform reporting at international level, for the purpose of admissibility of incentives under REDD, there is need for recognizing a general definition of forest in terms of crown density
- should include natural as well as industrial / short rotation plantations, or in the alternative, if technologically possible a minimum default biomass / carbon stocks per unit area

Financial mechanism

- existing market mechanism for CDM will not be applicable for disbursement of financial incentives
- Developed country parties must deploy additional financial resources for the purpose
- New financial arrangements within the Convention (UNFCCC) can be worked out to enable developing country parties to take admissible action(s) under REDD

Financial mechanisms (Contd)

- Reducing Deforestation Fund
- Stabilization Fund
- Forest Carbon Conservation Fund
- constitution of an ‘Enabling Fund’ to support capacity building and conducting pilot activities related to REDD activities for developing / least developed countries
- setting aside part GEF budgets, imposing levy on CDM revenue by UNFCCC

Methodological issues

- To enable robust reporting of changes (positive/negative) in forest cover, one national baseline is recommended
- One single national baseline will prevent double accounting and leakages
- While computing increase in forest cover of a country, the afforested/ reforested area covered under a registered CDM A/R project activity, will also be subtracted as a minus entry in the national inventory
- With the technological advancement in forest resource mapping, it is now possible to measure at national level increase / decrease in forest cover with a fair degree of accuracy and hence GHG capture or emission respectively
- can prepare and furnish a “National Level Forest Carbon Accounts” every five years based on assessment of i) forest cover in three categories of crown density (10-40%, 40-70%, >70%), ii) above and below ground biomass in different forest types, and iii) soil carbon per unit area in different forest types.

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- Host countries clearly have legal rights to maintain, or clear fell their forests. In case of clear-felling, the forest carbon services of the felled area are lost, through emissions of forest carbon, while the host country realizes the incremental economic benefits from clear felling
- In the event of reduction in rate of deforestation, there is a *reduced flow* of carbon emissions from felled forest, while the host country loses the incremental economic benefits from clear felling
- In respect of the remaining forest area *at any time*, a *stock* of forest carbon is maintained and not emitted, but the host country encounters direct and opportunity costs of keeping the area under forest

Positive Incentive

- In respect of remaining forest area at any time, annual payments to compensate the host country for the *avoided global annual damage* from maintaining the forest carbon
- In respect of change in the annual rate of deforestation, annual payments to compensate the host country for *lost incremental economic benefits of not clear felling the forest area corresponding to the reduced deforestation*

For SFM and A&R

- Under SFM, the host country incurs direct costs on forest protection, monitoring, and enforcement, and opportunity costs in not clear felling the forest to the best alternative economic use
- accordingly, the host country refrains from forest carbon emissions through clear felling and conversion, which legally it may do, by maintaining the stock of forest carbon
- under A&R, resulting in increased carbon sequestration, the host country
- incurs additional direct costs in forest plantation, besides opportunity costs in not using the additional forest area in the best alternative economic use
- There is thus an increased flow of carbon sequestration from A&R

Incentives (Contd)

- In respect of remaining forest area at any time under SFM, annual payments to compensate the host country for the *avoided global annual damage* from maintaining the *stock* of forest carbon
- In respect of increased *flow* of carbon sequestration due to A&R, annual payments to the host country corresponding to the direct costs of afforestation, and opportunity costs of refraining from the alternative best economic use of the land under A&R

Modalities for providing incentives

- Trade benefits: such as reduced tariffs for forest product exports, or even exports more generally, from host countries undertaking REDD, SFM, A&R action in line with the forest carbon stock maintained and change in flow of forest carbon
- This approach would require coordination with the WTO negotiations, which are complex enough, without loading on them this additional dimension.
- There are likely to be implications in terms of deviation from MFN treatment, permissible subsidies, as well as possible infringement of approaches set forth in WTO Council Decisions.
- It would also be very difficult to scale the level of trade benefits on year-to-year which would be necessary for scaling to the varying levels of forest carbon stock and flows.

Modalities (Contd)

- Increased level of ODA and/or MFI Funding: The principal implication of this modality would be to place decision-making, both in level of enhanced benefits provided, as well as what the additional resources may be used for, besides possible policy and political conditionalities in the hands of developed country donors and the MFI Boards.
- This would reduce the autonomy of decision-making by the host developing countries.

Financial flows

- There are two, not mutually exclusive, possibilities:

  (a) Loan funding

  (b) Non-repayable Financial Flows
- Since the provision of “Positive Incentives” is in the nature of payments for environmental services provided to the global community, it is difficult to argue for the loan modality
- non-repayable financial flows may be easily scaled to the level of actions to be compensated (forest carbon stock and/or changes in forest carbon flows), does not infringe on WTO mandates, retains autonomy of decision-making with respect to what the resources may be used for, with the host country

Raising Resources

- Two possible ways of raising resources for these “Positive Incentives” are:
- “Assessed” Contributions by Developed Countries; and
- Supply Side Linkage to the Global Carbon Compliance Market.
- Compensation for maintaining forest carbon stocks, in terms of rates of compensation, say, per million tons of forest carbon stock, or quantum of total payments, cannot be a voluntary matter for individual developed countries. This would place this payment in the realm of “donor” funding, rather than compensation, and sever linkages with level of responsibility for climate change, and possibly respective capabilities, of each developed country

Contd…

- Accordingly, the compensation payments should be on some norms for assessment, agreed under the BAP, related to both responsibility and capabilities of each developed country
- given sound monitoring and assessment of changes in forest carbon flows, it would seem feasible to provide “Positive Incentives” for REDD and A&R by including them among the sources of supply of carbon credits for the global carbon compliance market

Limits to REDD and A&R Credits

- it needs to be kept in mind that potential changes in forest carbon flows from REDD and A&R actions could e very large, with much lower incremental costs than in other GHG mitigation actions involving new technologies, such as in the energy supply and demand sides
- Since the promotion of such technologies would be a global policy imperative, in order that sufficient carbon credit supply side space is available for such technologies, there may be need to place limits on the extent to which a developed country may source REDD and A&R credits in order to meet its GHG mitigation commitments