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COP AGENDA ITEM 7 (SBSTA ITEM 5):

REDUCING EMISSIONS FROM DEFORESTATION IN DEVELOPING COUNTRIES

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BACKGROUND

In response to the Stern Review, which identified deforestation in tropical countries as one of the major sources of emissions driving climate change and global warming, Costa Rica and Papua New Guinea proposed a mechanism to compensate countries for reducing deforestation rates and conserving intact forest areas. Consequently, the eleventh session of the Conference of Parties (COP11) directed the secretariat to conduct a series of workshops to discuss the issues relating to the initiative.

Two workshops were held, the first in Rome, Italy, from 30 August to 1 September 2006 followed by Cairns, Australia from 7 to 9 March 2007. The Subsidiary Body for Scientific and Technological Advice (SBSTA) decided that the workshop should provide an opportunity for Parties to share experiences and consider relevant aspects relating to reducing emissions from deforestation in developing countries. Participants heard technical presentations on the theme of scientific, socio-economic, technical and methodological issues as well as presentations by representatives of Parties and international organizations on the theme of policy approaches and positive incentives. Views and discussions were also exchanged in detail on issues related to technical and methodological requirements, the establishment of baselines, permanence, leakage, definitions, and emissions from degradation, various financing options, including market-based mechanisms and non-market financial resources.

Based on the reports of the two workshops and submissions from parties and intergovernmental organizations, the SBSTA, at its twenty sixth session in Bonn held during COP12, drafted a decision text which is contained in the annex to document FCCC/SBSTA/2007/L.10 with the agreement to continue its work on this matter at its twenty-seventh session (COP13) in December 2007, to which the results are reflected in this report.

MEETING CHRONOLOGY

The first Contact Group on Agenda Item 5 of SBSTA (REDD) was held in the morning of 5 December 2007 where Parties were invited to present their country statements. Japan began very early with remarks of support for REDD and wanting to include sustainable forest management, and conservation of water and biodiversity, but later as the draft text was being negotiated, they were of a different view by not being very supportive on the inclusion of forest conservation into the REDD mechanism. India reiterated as in the previous SBSTA the importance of conservation of forests and sustainable forest management in mitigating climate change but also the improvement of forest cover, and hence should be included in REDD. India received the usual support by Costa Rica, China, Panama, Malaysia, Gabon, Ghana and the African countries among others.

Although there was no absolute decision on the financial mechanism of REDD (market or fund-based), Brazil also reiterated as in previous submission and interventions that they were not in agreement with reliance on market-based financial mechanism as it is too premature to link REDD to a post-2012. Brazil was also initially strongly against the inclusion of 'forest degradation' because it is not in conformance/urgency in reducing emissions immediately as compared to reducing deforestation. However, in the spirit of compromise, Brazil finally agreed to include 'forest degradation' (see Decision Text section).

Tanzania made an interesting country statement suggesting the issue of compensation for carbon storing governance by carbon net-sink countries should be addressed. Ghana and the African countries, supported by IUCN and the International Forum of Indigenous People of Climate Change also brought up the issue of linking REDD and poverty reduction as well as protecting the basic rights of the indigenous people.

Although there were some differences in which each Party would like to see REDD address their own national circumstances, there was a large agreement on the following few issues; deforestation must be halted, early action/prompt start is needed, a call for deeper cuts and commitments by Annex 1 Parties as well as technology transfer and capacity building aid from Annex 1 Parties.

The first Drafting Group meeting was held intermittently from 6 to 11 December 2007 and religiously reporting back to the Contact Group. The concluded and agreed text was finally submitted to the COP Secretariat on 11 December 2007. Further discussions were held by the drafting group to include elements of the REDD decision text into the Bali Action Plan (Bali Roadmap) on 12-12 December 2007. The Bali Action Plan would have concluded on 14 December 2007 as originally plan except if not for late conclusion of several important agenda items; national communications of non-Annex 1 Parties, adaptation fund, Ad-hoc Working Group on further commitments for Annex 1 Parties under the Kyoto Protocol, Kyoto Protocol Article 9, technology transfer and dialogue on long-term cooperative action to address climate change by enhancing the implementation of the Convention. The Bali Roadmap was endorsed by UNFCCC on 15 December 2007.

THE REDD DECISION TEXT

The decision text which was continued to be discussed from SBSTA26 was still relatively heavily bracketed, even the preambles. The drafting process to conclude the decision text was still a very long and challenging process due to the differing concerns amongst the developing countries and between the developed and developing countries. There was also no formal position by the G77 and China group to help progress. Instead individual statements and interventions were needed by individual Parties within the group. Among the issues that group members could not achieve consensus, were;

- i. the inclusion of forest degradation, conservation of forest and/or increase in forest cover in the REDD draft text
- ii. REDD projects should be accounted and conducted at the national and/or sub-national level, and

- iii. The REDD financial mechanism should be market- or fund-based (this however was not ascertained yet at this point of the decision text but was still discussed from time to time).

The decision text, which was negotiated in SBSTA as shown in **Annex A** contained 9 preamble and 8 para with options in brackets. The Contact Group co-chairs suggested text for para 1-5 while para 6-8 was discussed and re-drafted by the drafting group, which Malaysian delegates voluntarily took part in. Eventually, after many meetings convened, informal negotiations and discussions, the decision text was un-bracketed and concluded with an additional preamble, 12 para and an annex (Indicative Guidance) as indicated in para 4, having addressed all concerns raised (see **Annex B**). However, Papua New Guinea did suggest stronger and more committed language to ensure early action crediting to be included in the final para but was later not included as support from the other countries was rather weak during the final hours of the negotiation process.

A number of new elements included in the decision text and some worth while achievements worth noting is briefly listed below:

- In most instances, the phrase ‘reducing emissions from deforestation’ is now also followed by the phrase ‘and degradation’, acknowledging that degradation will eventually lead to deforestation and should also therefore be reduced to mitigate climate change. Brazil and few other parties i.e. Japan and US were strongly against this from the very beginning but finally agreed in the spirit of compromise. This is reflected in the preambles and para 1,2, and 7.
- The needs of local and indigenous communities with regards to REDD is now highlighted in the last preamble
- There were some discussion, and clarification was sought when referring to REDD-related activities. In light of this, EU took the lead and came up with an annex, an indicative guidance (as the annex title suggests) to describe or evaluate elements that define and/or are included in ‘activities’.
- There has been much progress on methodological issues related to a range of policy approaches and positive incentives to reduce emissions through deforestation and forest degradation since REDD was first brought to the SBSTA agenda. Subsequently, Para 7 requests the SBSTA to conduct further work on this and invites parties to submit their views on how to address outstanding methodological issues from previous submissions by 21 March 2008. Para 7(a) gives a guideline of what the submission should entail.
- The Secretariat was also requested, upon subject to availability of funding, to develop a web platform to enhance communication and encourage information sharing and submission by Parties, relevant organizations and stakeholders (Para 10).
- Columbia in particular felt strongly on the inclusion of sub-national level projects and was adamant that it is stated explicitly in the decision text as a part of the REDD mechanism. Although many countries are quite skeptical that sub-national projects may not be very attractive in the market and credits may not be traded in the EU market, it was eventually included for consideration as shown in para 7(a) and the Indicative Guideline annex.
- A main concern of developing countries with large tracts of forest and low deforestation rates such as India, China, Malaysia, Ghana, Gabon, Papua New Guinea, Panama and Costa Rica, is the compensation for forest conservation

and improvement of forest cover as a country's effort in mitigating global climate change, as an important effort as in reducing emissions through deforestation and forest degradation. This was again initially strongly opposed by Brazil, Japan, EU and US in particular, and was the final stumbling block incoming to an agreed decision text. Finally, text as shown in Para 3, 7(a) and 11 which bears mention of 'enhancing carbon stocks due to sustainable management of forests', which also implies improvement of forest cover and forest conservation was accepted.

IMPLICATIONS TO MALAYSIA

Malaysia has always been in support of countries like India, China, Panama, Costa Rica and Papua New Guinea in championing the inclusion of forest conservation and sustainable forest management (SFM) into the REDD mechanism. These elements had failed to penetrate in the previous SBSTA (26) mainly because there are still uncertainties and lack of understanding on methodological issues and approaches. However, enough light have been shed on these issues during the two workshops held in September 2006 and March 2007 to warrant attention in this SBSTA. This breakthrough will reward countries with large tracts of forest, low deforestation rates and practices SFM such as Malaysia in reducing emissions hence mitigating climate change. These developing countries will also now be more encouraged and incentivised to participate and benefit from REDD, making the mechanism more attractive and possibly accelerating efforts to mitigate climate change. This is a good enough reason to celebrate!

Issues remaining unresolved include whether credits from reducing emissions from deforestation can be used by Annex I Parties in meeting their reduction commitments; whether market-based mechanisms should be used to provide positive incentives and whether they can ensure real and sustainable financing of actions to reduce emissions from deforestation in developing countries; whether any future arrangement on reducing emissions from deforestation in developing countries should also compensate countries that have made efforts to conserve and stabilize their forests and carbon stocks, and finally, whether any carbon savings as a result of early action projects could be used under a future market or other related mechanism.

However, as expected no solid decisions or expert groups were formed on REDD. Instead, SBSTA 27 focused on removing as many brackets as possible from the decision text which serves as a timeframe for SBSTA to continue its work on methodological issues and to include new elements agreed (i.e. forest degradation, conservation of forest, improvement of forest cover and SFM) for the next two years and report to COP15 for decision.

Malaysia should take the opportunity to strategize and prepare a country submission that would see the country's interests and aspirations of REDD is preserved in future decisions.

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