



Linkage Process & Acre, Brazil

April 28, 2016

Workshop Materials & Submitting Comments

- ❑ Presentation posted at:
<http://www.arb.ca.gov/cc/capandtrade/meetings/meetings.htm>
- ❑ Written comments on this workshop may be submitted until 5pm (Pacific Time) on Friday, May 13, 2016 at:
<http://www.arb.ca.gov/cc/capandtrade/meetings/meetings.htm>
- ❑ During this workshop, email questions to:
auditorium@calepa.ca.gov

Workshop Agenda

- ❑ Background on Acre, Brazil
- ❑ Acre's Jurisdictional Program
- ❑ Recap of Technical Topics
 - ❑ Program Scope
 - ❑ Reference Level & Crediting Baseline
 - ❑ Monitoring, Reporting, and Verification Requirements
 - ❑ Reversal Risk and Leakage Risk
- ❑ Next presentation: Discussion on Social and Environmental Safeguard Requirements
- ❑ Opportunity for EJAC Member Comments and Discussion on Topics Presented throughout the Day
- ❑ Adjourn

Background on Acre

- ❑ Total land area is 164,000 km²
 - ❑ ~ 40% size of California
- ❑ 87% of state covered in tropical rainforest
 - ❑ ~100% 60 years ago
- ❑ High levels of biodiversity in flora and fauna
- ❑ 97% of state-wide GHG emissions are from deforestation; ~14 Million tCO₂e in 2014
 - ❑ Current deforestation reference level ~500km² (average level from 2001-2010); ~22 Million tCO₂e



Background: History of Forest and Community Protection

- ❑ 1960s Brazil policy: incentivize intensive development of the Amazon
- ❑ Like USA's homestead acts, if you cleared forest and turned it into agricultural land for 1 year, you became legal owner
- ❑ 1980s rubber tapper movement in Acre: Wait! We live here and we get our livelihoods from standing forests
- ❑ Demand: forest reserves for rubber tappers, protections for extractivists, rural producers, and indigenous peoples' rights
- ❑ 1988: Rubber tapper movement leader Chico Mendes assassinated by ranchers



Background on Acre

- ❑ Assassination galvanizes international attention: Chico Mendes Extractive Reserve established in 1990
- ❑ Since then 67 extractive reserves established all around Brazil: 14 million hectares
- ❑ Grassroots environmental justice movement becomes dominant political force in Acre
- ❑ Marina Silva, former rubber tapper, elected as Acre's Senator in 1994
- ❑ Appointed as National Environmental Minister in 2003



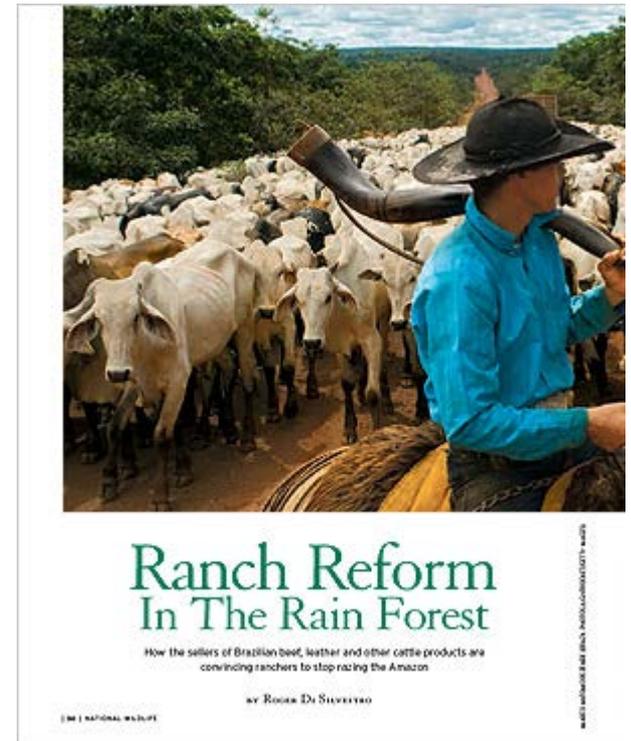
Background on Acre

- ❑ 1992: Jorge Viana, forester and Chico Mendes associate, is elected Mayor of Rio Branco
- ❑ 1998: Jorge Viana elected Governor; implements "Government of the Forest"
- ❑ Goals:
 - ❑ Sustainable development based on local culture and ecological history
 - ❑ Identity based on social justice
 - ❑ Transparency & public participation
- ❑ Forest Government continues to dominate Acre politics



Jurisdictional Program in Acre

- ❑ 1999: Passage of Chico Mendes Law establishes Payments for Ecosystem Services to rubber tappers
- ❑ 2006: Phase I of REDD-type program where credits created for emissions below a reference level
 - ❑ ~75 million tons of CO₂e sequestered
 - ❑ Subprograms enacted to address drivers of deforestation



Jurisdictional Program in Acre

- ❑ 2010: Passage of System of Incentives for Environmental Services (SISA) law
 - ❑ Draft law in 2009 available through website
 - ❑ 15 public consultation meetings
 - ❑ Indigenous peoples 18%
 - ❑ Rural producers and extractive workers 29%
 - ❑ Technicians from civil society organizations 50%
 - ❑ Representatives from grassroots groups 11%
 - ❑ 300+ recommendations from stakeholders
 - ❑ Public consultation resulted in important change: instead of focusing only on high-risk areas, SISA would focus on whole state

Jurisdictional Program in Acre

- ❑ ISA-Carbono Multi-Pronged Approach
 - ❑ Environmental Compliance
 - ❑ Ex: Forest-dwelling communities had insecure land rights, thus inability to enforce local rules on forestlands. Acre's Gov't began to register all smallholder properties so residents have clear tenure rights
 - ❑ Improved Monitoring
 - ❑ Ex: Establishment of CEVA – Validation and Monitoring Commission – made up of civil society members and government employees
- ❑ Promotion of sustainable activities in agriculture and forestry sectors
 - ❑ Ex: Promotion of non-timber forest products like brazil nuts and rubber, improved pasture management, development of value-added products through aquaculture and fruit trees

Acre-California Engagement

- ❑ 2008-2009: California helps found the Governors' Climate and Forests Task Force (GCF)
 - ❑ Acre joined in 2009 and hosted GCF annual meeting in 2014
- ❑ 2010: California signs MOU with Acre and Chiapas to establish REDD Offset Working Group (ROW)
 - ❑ Goal of ROW: develop recommendations for a state-to-state sector-based offset program and promote cooperation between subnational jurisdictions
- ❑ 2014: Jointly-signed Rio Branco Declaration by majority of GCF members setting forth the goal of achieving 80% reduction of deforestation by 2020, contingent on financing
 - ❑ California signed in early 2015
- ❑ California and Acre representatives continue to discuss details of respective programs and how we might be able to work together

Recap of Technical Considerations and Overview of Acre's Approach

Scope of the Program

- ❑ What is being measured?
 - ❑ Which forest carbon emissions would be counted?
 - ❑ How would carbon uptake from forest growth be accounted for?
- ❑ ROW Recommendation:
 - ❑ Only accept credits from deforestation/degradation emissions reductions, rather than carbon stock enhancement. Deforestation and degradation are simpler to measure and verify, and result in more conservative (e.g., less) crediting
 - ❑ If carbon enhancement methodology proves itself, then potentially include it later
- ❑ Acre's Scope: crediting only for reduced emissions from deforestation
 - ❑ May credit for reduced emissions from degradation in the future

Reference Level

- ❑ **Reference Level** means “the quantity of GHG emission equivalents that have occurred during the normal course of business or activities during a designated period of time within the boundaries of a defined sector and a defined jurisdiction.”
- ❑ Acre’s Reference Level based on 10-year historical averages
 - ❑ Phase I RL (2006-2010) based on 1996-2005 data calculated at 602km², or ~27 million metric tons of emissions from deforestation
 - ❑ Phase II RL (2011-2020) updated based on 2001-2010 data: 496km², or ~22 million metric tons of emissions

Crediting Baseline

- ❑ **Cap-and-Trade Regulation defines Crediting Baseline:**
“...the reduction of absolute GHG emissions below the business-as-usual scenario or reference level across a jurisdiction’s entire sector in a sector based crediting program after the imposition of greenhouse gas emission reduction requirements or incentives.”

- ❑ Acre discounts crediting by 10% per year
 - ❑ Because California is not proposing to recognize early-action type credits for sector-based programs, emissions reductions from 2006 through today are “own-effort”
 - ❑ 10% discount goes into reserve account for reversals/leakage

Monitoring, Reporting, & Verification (MRV)

- ❑ **Monitoring:** data collection
- ❑ **Reporting:** publication of data
- ❑ **Verification:** independent assessment of data

- ❑ Acre Monitoring: PRODES data, produced by Brazilian National Space Agency largely from Landsat data
 - ❑ Further refined by UCEGEO, Central Geoprocessing and Remote Sensing Unit
- ❑ Requires 3rd party verification

Reversal Risk Mitigation

- ❑ Jurisdictional Approach
 - ❑ Larger scale reduces risk
- ❑ Buffer Pool
 - ❑ Technical reserve in case emissions rise above reference level
- ❑ Future Year Discounting
 - ❑ Reversals discounted from future year crediting

Leakage Risk Mitigation

- ❑ Acre's approach: address deforestation drivers; 83% of deforestation due to new cattle pastures. Proceeds from sector-based offsets would ensure continued, further reductions
 - ❑ Ecological-Economic Zoning program - clearly delineate land use rights between indigenous communities, other forest-dwelling communities, protected areas, rural agricultural properties, etc.
 - ❑ Offers legal organization and guides policies in different areas
 - ❑ Increased efficiency of cattle production - introduction of nitrogen-fixing legumes and grasses, paddock rotation techniques, etc.
 - ❑ Cattle production increasing, while deforestation decreasing, indicating success. Results in lowered potential for increasing production in neighboring states
- ❑ Similar techniques for other drivers, i.e., sustainable agricultural practices for grain cultivation, improved sustainable supply chains (rubber factory), promoting alternative livelihoods (aquaculture)

Linkage Process

Linkage Process Outline

AB 32 (section 38564): state board shall facilitate development of integrated and cost-effective international GHG reduction programs

- ❑ Step 1: Public Workshops and Technical Meetings
- ❑ Step 2: Regulatory text development and Development of Initial Statement of Reasons (staff report for regulation)
- ❑ Step 3: Notice of Regulatory Amendments (public comment period of at least 45-days)
- ❑ Step 4: First Board Hearing
- ❑ Step 5: Request for Governor to make specific findings on linkage
- ❑ Step 6: 15-day changes if needed
- ❑ Step 7: Governor provides linkage findings
- ❑ Step 8: Final Board Vote
- ❑ Step 9: Final Statement of Reasons and Submittal to Office of Administrative Law

California Public Workshops

- ❑ October 28
 - ❑ Presented staff white paper summarizing California's engagement on tropical forestry to date and ROW Recommendations
 - ❑ Presented other jurisdictions' work on sector-based offsets
 - ❑ Presented on MRV science and technology

- ❑ March 22
 - ❑ Crediting Pathway; Program Scope; Reference Levels and Crediting Baselines; MRV

- ❑ April 5
 - ❑ Reversals and Leakage Risk; Offset Tracking Registry; Verification

- ❑ April 28
 - ❑ Linkage and Social & Environmental Safeguards

Regulatory Text Development

- ❑ Draft Regulatory Text and Initial Statement of Reasons (ISOR)
 - ❑ Staff explains why regulatory amendments proposed
- ❑ Notice of Proposed Rulemaking
 - ❑ Public release of draft regulation order and ISOR in July 2016 for at least 45-day public comment period
 - ❑ Comments responded to in Final Statement of Reasons following Board adoption
- ❑ Board Hearing
 - ❑ First hearing to consider staff proposal – September 2016
 - ❑ Potential for 15-day change packages
 - ❑ Second hearing to vote on adoption – Spring 2017

SB 1018

- ❑ As described in the first presentation of the day, Senate Bill 1018 requires ARB to notify Governor regarding possible linkage
- ❑ Governor must make four findings for linkage to go through:
 - 1) Partner Jurisdiction has program requirements which are equivalent to or stricter than California's
 - 2) California has continued ability to enforce its laws and regulation
 - 3) Partner Jurisdiction has ability to enforce its laws and regulation
 - 4) Linkage does not impose any significant liability on California

Next Steps

- ❑ Continue to assess comments submitted from informal public workshops
- ❑ Consider developing staff proposal for draft regulatory text as part of overall Cap-and-Trade 2016 amendment process
 - ❑ July 2016 Notice of Proposed Rulemaking
 - ❑ September 2016 – First Board Hearing to consider staff proposal
 - ❑ Spring 2017 – Final Board Vote
 - ❑ October 2017 – Regulation amendments effective
 - ❑ January 2018 – Sector-based credits, if a linkage is included in Board vote, eligible for use in program

Questions?