

California Tropical Forest Standard

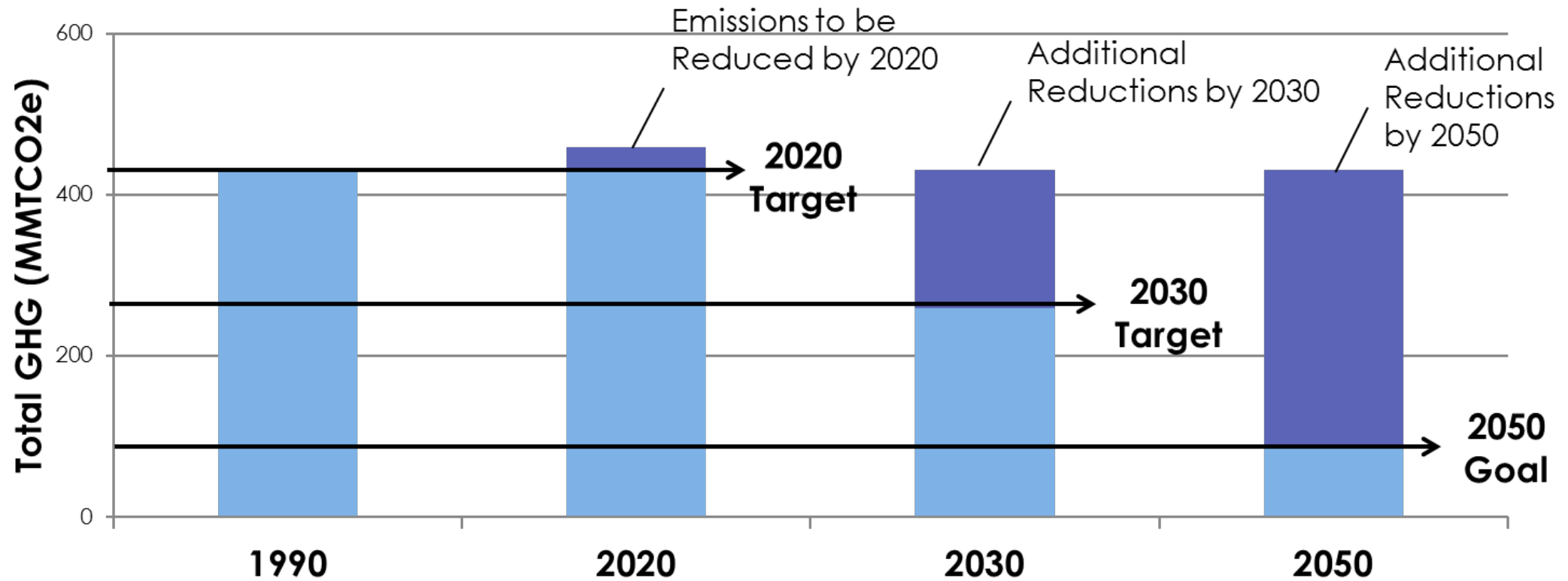


NOVEMBER 16, 2018

Why Today's Action Is Important

- AB 32 directs CARB to look at in-state, national and international opportunities to collaborate in GHG reduction efforts
- Rapid loss of tropical forests is a critical threat to our climate, public health and economy, and CARB is in unique position to influence international action now
- Research has shown important role tropical forests have in relation to California's snowpack, and the atmospheric rivers which impact California precipitation
- California Tropical Forest Standard will serve as an international model for greater rigor, accountability and transparency while improving livelihoods and participation in strategies to slow the loss of tropical forests
- Endorsement of the Tropical Forest Standard sends a strong, needed signal for jurisdictions to take immediate action to reduce deforestation

California's Climate Legislation and Executive Orders



Note: MMT = Million Metric Tons

California's Climate Policies

- Climate portfolio includes programs that support both air quality and climate benefits
- 2017 Scoping Plan Update includes a suite of complementary measures that build on past success
- GHG emissions in 2016 were below the 2020 target
- \$8.4 billion in GGRF appropriated with at least 50% benefitting disadvantaged communities

CALIFORNIA'S CLIMATE POLICY PORTFOLIO



Double building efficiency



Cleaner freight and goods movement



50% renewable power



Slash potent "super-pollutants" from dairies, landfills and refrigerants



More clean, renewable fuels



Cap emissions from transportation, industry, natural gas, and electricity



Cleaner zero or near-zero emission cars, trucks, and buses



Invest in communities to reduce emissions



Walkable/Bikeable communities with transit

California's Actions to Protect Domestic Forests

- California Climate Investments of over \$803 million committed for forests and other natural and working lands
- California's policies on natural and working lands have incentivized efforts in urban forestry and the reduction of over 110 million metric tons of GHG reductions from forests
 - Provides a path to recognize important forest protection actions by sovereign Tribes



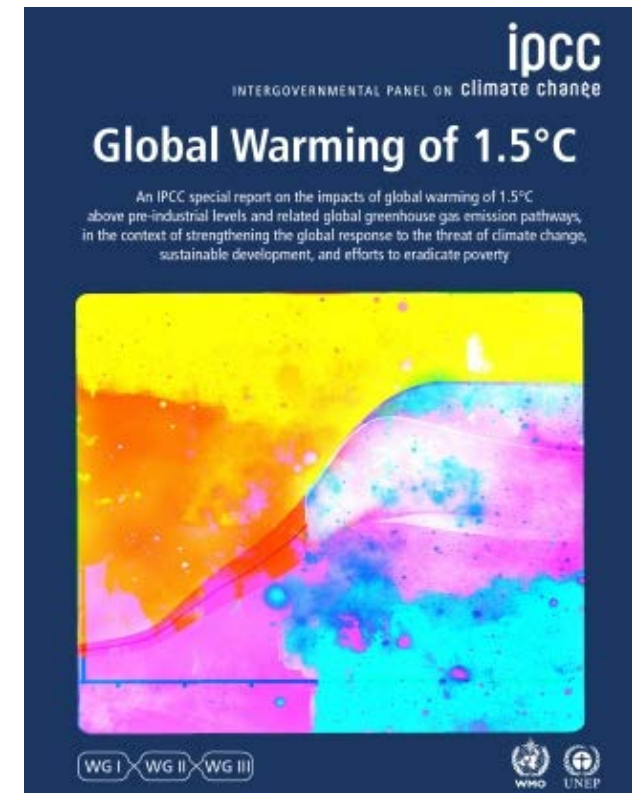
California's Interest in International Forests



- AB 32 recognized that addressing climate change requires a comprehensive look at causes of GHG emissions
- AB 32 directed CARB to consult with other jurisdictions to develop regional, national and international GHG reduction programs
- International mitigation actions, including those to reduce tropical deforestation, were assessed during the development of the 2008 Scoping Plan and subsequent updates

Why address emissions from tropical deforestation as part of overall strategy?

- To achieve required GHG emissions reductions agriculture, forestry and other land use must participate
- Tropical forest deforestation emissions account for more than 14 percent of global emissions
- “In responding to the IPCC report, our message as scientists is simple: Our planet’s future climate is inextricably tied to the future of its forests.” – CLUA Scientists’ Statement on IPCC Report

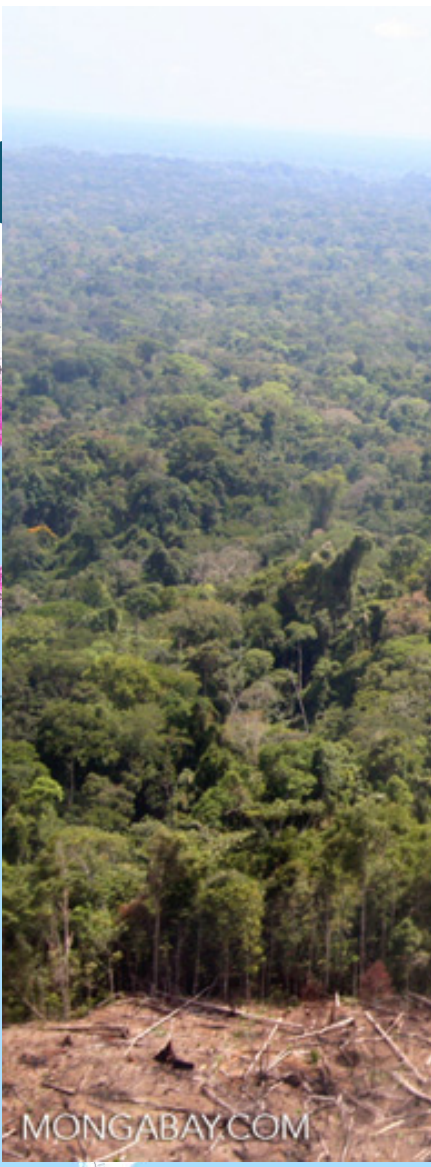


Role of Deforestation in Climate Change

- Protecting forests is largest opportunity for sustained mitigation
- Paris climate agreement requires significant efforts to protect and restore forest
- Forest mitigation actions may account for 50 percent of solution to climate change
- Deforestation emissions exceed annual worldwide emissions from transportation sector



Trop



Purpose of the Tropical Forest Standard

- Provides rigorous alternative to unprecedented deforestation driven by commodity demand and timber harvesting
- Specifies robust criteria to assess jurisdiction-scale programs to reduce emissions from tropical deforestation
- Includes requirements for direct participation by and benefits to indigenous peoples and local communities
- Standard **does not**:
 - Amend the Cap-and-Trade Regulation,
 - Link with any jurisdiction, or
 - Make tropical forest offset credits eligible for use in the California Cap-and-Trade Program

Purpose of the Tropical Forest Standard, Cont.

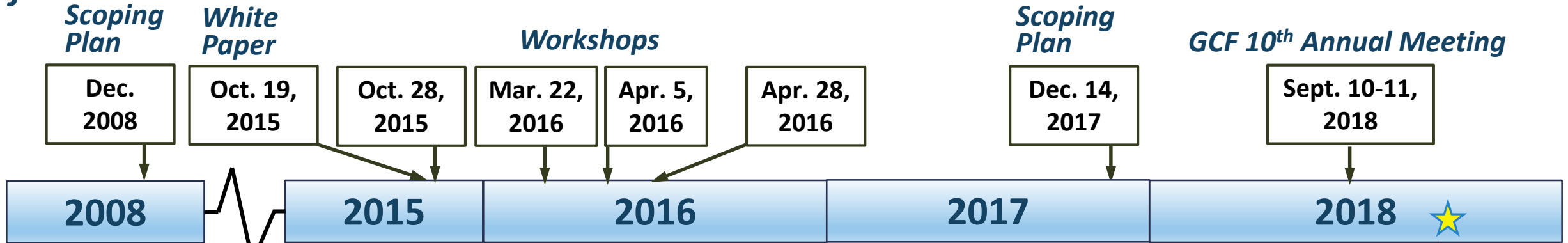
- Standard provides a detailed stepwise approach to quantify and track GHG emissions reductions that programs around the world can use to support:
 - Payment for ecosystem services mechanisms
 - Sustainable sourcing mechanisms
 - “Zero net” deforestation commitments
 - Making progress toward Nationally Determined Contributions
 - Efforts by China or International Civil Aviation Organization to take further actions to mitigate carbon emissions
 - Voluntary carbon markets

Case Study: International Civil Aviation Organization (ICAO)

- Aviation accounts for approximately two percent of global CO₂ emissions
- Market based measure to achieve carbon neutral growth from 2020
- Tropical forests are anticipated to be a major source of emissions reduction units for airlines to comply
- California Tropical Forest Standard would provide model to ensure highest standard for emissions units

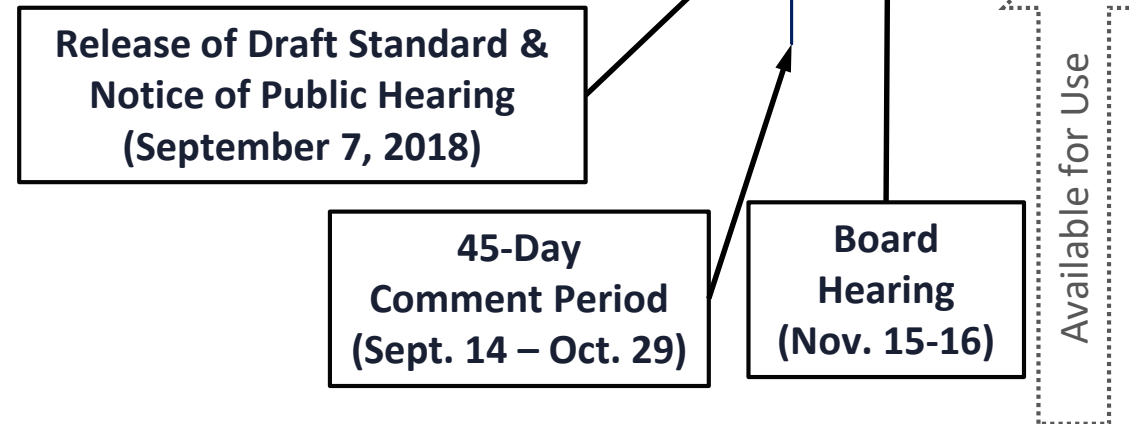
Timeline for Development of Tropical Forest Standard

Informal Public Process



GCF
Launched

Formal Standard Release



Overview of the Tropical Forest Standard

- First of its kind proposal
- Rigorous combination of criteria for assessing jurisdiction-scale programs to reduce emissions from tropical deforestation
- Leverages existing criteria from international standards and principles
- Enhanced requirements for:
 - Transparency
 - Verification
 - Social & Environmental Safeguards
- Applies to subnational jurisdictions with programs to reduce emissions from tropical deforestation and degradation; can be adapted to national programs
- Sets the minimum requirements against which a program would be assessed

Overview of the Tropical Forest Standard Sector Plan

- Demonstrates program development through a robust public process
- Ensures engagement with indigenous peoples and local communities
- Requires transparent development of the reference level and monitoring, reporting, and verification requirements
- Describes how the program avoids double counting
- Ensures consistency with national efforts, including any Nationally Determined Contribution under the UNFCCC Paris Agreement

Overview of the Tropical Forest Standard

Establishing the Crediting Baseline

- A conservative baseline is critical to ensuring that any credits issued would only be for efforts in addition to business-as-usual
- Determine average of recent deforestation emissions (Reference Level)
 - GHG emissions that have occurred because of deforestation during the previous ten years
 - Uses verifiable data to determine historical annual deforestation rates
- Develop a conservative baseline below the Reference Level (Crediting Baseline)
 - Begins at least ten percent below reference level and declines from there
 - Only emissions reductions in excess of the crediting baseline would be eligible for recognition

Overview of the Tropical Forest Standard

Other Key Criteria

- **Monitoring and Reporting** – Annual report on emissions reductions based on international standards
- **Verification** – Must include third-party verification requirements to ensure accuracy of reported emissions reductions and conformance with sector plan
- **Permanence and Reversal Risk** – Permanence assured by use of a jurisdictional buffer pool
- **Leakage** – Includes a framework for managing and mitigating activity-shifting and market-shifting leakage
- **Enforcement** – Effective enforcement of the requirements must be ensured
- **Registry and Public Access** – Jurisdiction must ensure its credit registry, emissions data, verification reports, and safeguards reports are available on a public website

Robust Social and Environmental Safeguards

- Requires consistency with UNFCCC Cancun Safeguards
- Identifies key principles, criteria to evaluate the principles, and indicators to show progress toward achieving criteria
 - Recognize and respect rights to lands, territories and resources
 - Benefits are shared equitably among all relevant rights holders and stakeholders
 - Improve long-term livelihood security and well-being of indigenous peoples and local communities with special attention to women and the most marginalized and/or vulnerable people
 - All relevant stakeholders participate fully and effectively
 - Comply with applicable local and national laws and international treaties, conventions and other instruments

Enhancements to the Tropical Forest Standard

- Staff assessed comments recommending improvements to Standard
- Additional social and environmental safeguards requirements
- Further strengthening of crediting baseline
- Addition of GCF Guiding Principles for Collaboration and Partnership
 - Thirteen principles adopted by the GCF members on September 10, 2018
 - Recognizes and respects indigenous peoples' and local communities' rights to their lands, territories, culture, self-determination and governance
 - Recognizes historic contributions of indigenous peoples and local communities
 - Facilitate and promote partnerships between subnational governments and indigenous peoples and local communities
 - Enable further transparency and accountability in ensuring social and environmental safeguards are adhered to

Environmental Analysis

- Draft Environmental Analysis (EA) completed
 - Potential significant impacts found for some resource areas
- Released for public coment
 - September 14, 2018 – October 29, 2018
- CARB prepared the Final EA and written responses to comments received on the Draft EA
 - Released on November 9, 2018

Staff Recommendation

- Approve the proposed Resolution which includes:
 - Approval of the written responses to environmental comments, certification of the Final EA, and making the required CEQA findings
 - Endorsement of the California Tropical Forest Standard
- Next Steps
 - Staff monitors efforts by GCF Indigenous Working Group, jurisdictions, and others on the use this standard, including on results of strengthening partnerships between jurisdictions and indigenous peoples, reductions in the rate of deforestation, and implementation of benefits sharing plans
 - Report back to the Board annually