**To: California Air and Resources Board**

**From: Daniel Nepstad, PhD, Executive Director & President of Earth Innovation Institute, San Francisco, California; Lead Author of IPCC Fifth Assessment (Working Group 2, Chapter 4)**

We thank the California Air and Resources Board for another well-organized workshop, on April 28th, to gather input on the AB32 "international sector-based offset" provision regarding the potential linkage agreement with the State of Acre in Brazil and the environmental and social safeguards that would be needed to ensure the success of the program. We present here comments on the options presented by CARB staff at the workshop and on the comments made by participating stakeholders.

1. **The AB32 International Sector-Based Offset Provision (hereafter referred to as the IOP) would be a game-changer in the world of global climate change solutions, leading to a doubling or tripling of California’s climate change mitigation. Implementing the IOP could also stimulate similar mechanisms for harnessing the mitigation potential of tropical forests and land use among other states and nations.**

The AB32 IOP could greatly magnify California’s contribution to climate change solutions globally by establishing the first regulated market for verified emissions reductions from tropical deforestation and forest degradation. Brazil has already reduced its carbon pollution 4 billion tons, ten times more than AB32 will achieve by 2020 (0.3 billion tons) through its successful efforts to slow Amazon deforestation, as we explain in an article in Science[[1]](#footnote-1). (Brazil’s successful strategy included expansion of formally recognized indigenous territories.) Brazil’s achievement is at risk—deforestation rates are increasing. Implementation of the IOP could help secure and deepen Brazil’s success in slowing Amazon deforestation while encouraging sub-national jurisdictions in Peru, Mexico, Indonesia and elsewhere to do the same.

Deforestation rates in the Brazilian Amazon are increasing largely because the promised mechanisms for compensating tropical forest nations, states and provinces for the substantial costs of slowing tropical deforestation and forest degradation—mechanisms featuring the AB32 IOP--have not been implemented. California could help to keep deforestation rates low by implementing the international offset provision. We predict[[2]](#footnote-2) that the effect of the provision on emissions reductions would go far beyond the offsets that come into California, doubling or tripling the global impact of AB32 by encouraging state governments responsible for one fourth of the world's tropical forests--the members of the Governors' Climate and Forests task force (GCF) that was formed in response to AB32 in 2009--to continue their efforts to slow deforestation and tropical deforestation. Implementing the provision would also encourage other states and nations to establish similar offset mechanisms, including China, the civil aviation industry, and other nations.

Land-use could be the source of up to 60% of the climate change mitigation that is achieved by 2030, as was concluded by the fifth assessment of the Intergovernmental Panel on Cimate Change (IPCC), Working Group 3. Slowing tropical deforestation and degradation is a large part of this potential mitigation potential, and it is already being realized.

1. **The ARB IOP is the state’s best opportunity to strengthen its global partnerships on the issue of climate change by responding to the expectations that have been raised among its non-USA partners that a market mechanism for recognizing and compensating emissions reductions from tropical deforestation and forest degradation would be implemented in California.**

As a founding member of the Governors’ Climate and Forests task force (the GCF), whose 29 members contain one fourth of the world’s tropical forest, California has created expectations among the leaders of tropical forest states and provinces that the ARB IOP would be implemented. The ARB IOP was the *reason* the GCF was created in 2009. That expectation was deepened when California signed the GCF’s Rio Branco Declaration, committing GCF tropical signators to lower their deforestation 80% by 2020 if financial mechanisms are in place and, presumably, committing California to help provide some of the missing finance. As leader of the Under 2 MOU and through its MOU’s with Mexico, Peru and China, California has mobilized subnational innovation towards climate change solutions and the AB32 IOP is the most powerful way to put teeth behind these international partnerships.

1. **The ARB IOP would deliver substantial benefits to indigenous peoples, traditional communities and low-income farmers in tropical forest regions by providing support for sustainable, equitable rural development in partner jurisdictions, exemplified by the State of Acre.**

The Offset Provision would only link to sector-based programs, also known as "jurisdictional REDD" programs. Jurisdictional REDD programs measure performance in slowing emissions from deforestation and forest degradation across entire states or provinces and are designed to overcome systemic obstacles to low-emission, sustainable and equitable rural development through policy innovation, regional planning, broad stakeholder consultation, and law enforcement. In contrast, isolated REDD projects, which California would not link to, are focused on performance at the scale of a community or logging concession, and tend to emphasize who owns the carbon. The examples of bad REDD projects that have been presented as evidence that the AB32 international offset provision could cause harm to forest peoples in tropical regions are all isolated REDD projects, and would not qualify for participation in the IOP program with the commitment to safeguards that was on display at the April 28th workshop and that is well-represented in the recommendations of the REDD Offset Working Group (ROW).

In the near term, the only jurisdiction that could be ready to link to California is the State of Acre in the Brazilian Amazon region. We have monitored and analyzed the Acre program, known as SISA, since its inception in 2009, and can verify that it is already providing important benefits to indigenous peoples, rubber tappers and smallholder farmers in the state, including some community leaders who participated in the April 28th workshop. We have examined the grievances that we have learned of regarding the SISA system, and they are either aimed at projects that are not part of the SISA system (the case of the Purus project) or can be traced to local leadership disputes. A small number of such leadership disputes is inevitable in programs like Acre’s that are delivering benefits at a large scale to rural families and communities.

It is important to emphasize that Germany has provided pilot funding for the SISA program, and the Government of Acre committed to channel 70% of these funds to communities. That commitment has been honored. There is currently no plan for follow-up funding to keep the innovative programs sustained—programs that are improving the livelihoods of indigenous peoples, rubber tappers and other “agro-extractivist” populations, and smallholder farmers.

Outside of Acre, there are numerous examples of how REDD processes have stimulated progress on the recognition and formal demarcation of indigenous lands. In Indonesia, the Constitutional Court decision allowing titling and formal recognition of Customary Lands came about in the context of this nation’s REDD dialogue. A million hectares of community lands were designated in Central America, fruit of the REDD process. In Peru, indigenous lands are being mapped today as part of the nation’s REDD agenda, using REDD climate finance. In northern California, the Yurok are using the domestic offsets program to reoccupy and restore their ancestral lands.

1. **We recommend that the ARB structure the safeguards component of the IOP to send a clear signal to potential partner jurisdictions that those who have fairly recognized, formalized and demarcated the territories of indigenous peoples and traditional communities will have easier access to the IOP system than those jurisdictions that have not.**

We recommend that the ARB include in the regulation language that strongly encourages tropical states and nations to resolve remaining issues related to formal recognition and demarcation of indigenous lands, recognizing that all states and nations are still sorting through conflicting land claims at some level and will continue to do so for decades. It is also important to remember that indigenous lands generally fall under the jurisdiction of the national governments, and are in some ways beyond the control of the jurisdictions that may become partners of California.

We also recommend that the safeguards requirements focus on the principles of those safeguards, allowing potential partner jurisdictions to develop innovative new approaches for complying with those principles. We make this recommendation based upon evidence that when jurisdictional REDD safeguard processes can result in a hundred or more criteria, limiting the viability of the program can be compromised.

1. **The AB32 IOP could reduce the suffering of low-income communities in California and globally by increasing the likelihood that humanity avoids a global temperature rise above 2 degrees C**

The fifth assessment report of the IPCC concludes that the poorest members of society will suffer the most with climate change. By increasing the likelihood of keeping climate change below 2 degrees C, this international offset provision is one of the most important opportunities to avoid human suffering for centuries in California and globally.

1. Nepstad, McGrath, Stickler, et al. 2014. Slowing deforestation in the Brazilian Amazon through public policies and supply chain interventions. Science 344: 1118-1123. [↑](#footnote-ref-1)
2. Nepstad, Swette, Horowitz. 2014. Multiplying the impact of California’s Global Warming Solutions Act through International Partnerships for Tropical Forests. Earth Innovation Institute. http://earthinnovation.org/publications/multiplying-the-impact-of-californias-global-warming-solutions-act-ab-32-through-international-partnerships-for-tropical-forests/ [↑](#footnote-ref-2)