

June 6, 2016

Governor Edmund G. Brown, Jr.  
State Capital, Suite 1173  
Sacramento, CA 95814

**Re: Support for Sector-Based Crediting for Tropical Forests in California's Cap-and-Trade Program**

Dear Governor Brown:

As members of the Center for Global Development's Working Group on Scaling Up Performance-Based Transfers for Reduced Tropical Deforestation,<sup>i</sup> we write in our individual capacities to thank you for your leadership on climate policy and express our support for including sector-based credits for greenhouse gas emission reductions from tropical forests in California's regulatory cap-and-trade program. This action would fight global climate change, reduce costs for California companies and consumers, provide a host of social and environmental side benefits in partner states, jumpstart more ambitious climate policies in other states and countries, and once again showcase California's global leadership on environment and climate policy.

Climate change affects everyone, but its harmful impacts are felt first and worst by poor people living in developing countries, who are exposed to bigger storms and declining agricultural productivity. By fighting climate change, California improves the living conditions of the world's poor.

Reducing tropical deforestation is essential to achieving a stable climate. If tropical deforestation was a country, its emissions would be the world's third-largest, behind China and the United States and ahead of the European Union. And because forests can be turned from a source to a sink of carbon dioxide, stopping tropical deforestation while letting damaged and cleared forests grow back could counteract more than a quarter of current annual emissions.

At the successful Paris climate conference in December 2015, nearly 200 national governments unanimously agreed to keep global temperature rise well below 2 degrees Celsius. To achieve this ambitious goal the Paris Agreement recognizes the central role of reducing emissions from deforestation and forest degradation, plus forest regrowth (REDD+). Several developed countries have stepped forward to financially support these activities through public budgets, with some encouraging results, as described in the report of our working group, "Look to the Forests: How Performance Payments Can Slow Climate Change."<sup>ii</sup> Now, California has the opportunity to be the first to do so using regulatory compliance markets.

Allowing regulated companies to purchase offsets from sectoral credits from tropical forests would reduce costs for California companies and consumers. This in turn would let California pursue a more ambitious future pathway of steadily decreasing emissions at lower cost. While allowing sectoral offsets from tropical forests would help contain costs, it would not increase the current cap on the use of offsets.

In partner states, the opportunity to sell emission reductions internationally would turn forest conservation from an economic burden into an economic opportunity. It would open up the chance for a greener development path based around compensation for the provision of a global public

good. Furthermore, tropical forest conservation provides local environmental services in the form of cleaner water, cleaner air, and a natural buffer from natural disasters.

If designed well, payments to states for reductions in emissions from deforestation can also produce social benefits for local people. In several countries, the prospect of results-based payments through REDD+ has been used by indigenous peoples to accelerate progress toward formal recognition of their rights to land, as advocates had sought for decades.

California's leadership on sectoral offsets for tropical forests can spur other states and provinces to follow. By writing sound standards, California will set the precedent for how to use tropical forest offsets in cap-and-trade programs worldwide. Thus California's decision would have outsized importance beyond the few million tons its companies might buy each year.

California once again has the opportunity to demonstrate global environmental leadership, just as it did on clean air, fuel-efficient vehicles, carbon trading, and domestic greenhouse gas reductions. We urge you to support adding tropical forest protection to the state's climate agenda for the reasons described above and many more. And, we thank you for your continuing leadership.

Sincerely,

Nancy Birdsall, President, Center for Global Development (working group co-chair)  
Michele de Nevers, Senior Associate, Center for Global Development (working group manager)  
Arild Angelsen, Professor of Economics, Norwegian University of Life Sciences  
Jonah Busch, Senior Fellow, Center for Global Development  
Robin Davies, Associate Director, Development Policy Centre, Australian National University  
Bharrat Jagdeo, Former President of Guyana  
Harrison Karnwea, Managing Director, Forestry Development Authority of Liberia  
Rezal Kusumaatmadja, COO, PT Rimba Makmur Utama, Indonesia  
William Savedoff, Senior Fellow, Center for Global Development  
Frances Seymour, Senior Fellow, Center for Global Development  
Michael Wolosin, President, Forest Climate Analytics

Names are signed in our individual capacities and do not necessarily represent the views of the organizations with which we are affiliated.

Cc: Matthew Rodriquez, Secretary, California Environmental Protection Agency  
Mary Nichols, Chair, California Air Resources Board

*The Center for Global Development is a think tank based in Washington, DC that conducts research and analysis on how policies and actions of the rich and powerful affect poor people in the developing world.*

*The Working Group on Scaling Up Performance-Based Transfers for Reduced Tropical Deforestation convened from April, 2014 to October, 2015 to assess factors inhibiting the expansion of international funding for performance-based approaches to reduce deforestation, analyze progress in existing programs, and identify solutions to current barriers.*

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<sup>i</sup> <http://www.cgdev.org/working-group/working-group-performance-based-payments-reduce-tropical-deforestation-win-win>

<sup>ii</sup> <http://www.cgdev.org/publication/ft/look-forests-how-performance-payments-can-slow-climate-change>