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Suggestions for Establishing Conservative, Transparent REDD Baselines (reference levels) and Crediting Levels under AB 32.

The Tropical Forest Group offers the following thoughts in regards to drafting REDD regulatory language for AB 32.

Background
With the failure of the UNFCCC and the US to implement meaningful climate change legislation, the eyes of the world are turning to California. REDD, one of the most advanced topic within the UNFCCC process, and an integral part of many US legislative proposals for climate change, is also clearly seen as a front runner for sectoral crediting under AB 32. The staff of ARB should be commended for their efforts to reach out to a wide range of stakeholders, most notably the Governors' Climate and Forests Taskforce. The Air Resources Board should also be commended for their courage to move forward on an issue that while important, is also very complicated. The challenge of nesting REDD projects within REDD State programs in developing countries is a key challenge of our time.

Project-Based Approaches Valuable, But Alone Insufficient
Historically, private investment and significant philanthropic and civil society support went to REDD projects. These projects are clear and obvious examples of how to reduce deforestation, reduce emissions, and generate resources to accomplish specific goals. But project-based REDD efforts (activities done at a single particular location) on their own are of limited long-term value. A large range of issues cannot be adequately addressed in a one-off project-by-project basis. These issues include:
1. Appropriate engagement of appropriate stakeholders
2. Leakage
3. Enforcement
4. Land-use planning
5. Appropriate roles of various tiers of government
6. Reconciliation of baselines at local, state, national and international levels
7. Interactions between the private sector and public sector finance
8. Measurement, reporting and verification (MRV) platforms
9. Transparency, and
10. Overall social and environmental integrity.

States Responsible & Should Chose Internal Implementation and Incentives

TFG encourages ARB to develop regulatory language that is *neutral* as much as possible in terms of 'to whom REDD credits are issued'. A developing country state or province, if it reduces deforestation below a reference level in a conservative and statistically robust manner (see below please), should determine how REDD credits are issued, managed, and insured. ARB should provide clear policy signals in terms of the quality of credits (baselines, MRV, buffers, permanence, etc) and not chose specific approaches states or provinces must adopt. These signals can be specified and required in any required linkage agreement.

Principles for Baselines (reference levels) and Crediting Levels

Of all the difficult regulatory challenges facing REDD policy makers, establishing transparent, fair and conservative crediting levels for REDD is the most vital. To have high environmental integrity while being fair, REDD credits should:

1) Be based on a reference level that is weighted strongly toward historical levels of deforestation over the past 10 years. TFG suggests 80% of the "weight" of a reference level should be recent historical data.
2) Accommodate the fact that high-deforesting states may have lower forest cover and have performed less effectively in the past at controlling deforestation. States that have high recent rates of historical deforestation may be nearing the end of "easily deforested" lands or may simply be running out of unprotected forests.
3) Accommodate the fact that some high-forest, low-deforesting states will face growing levels of threat that historical levels cannot adequately describe.
4) The above two concepts can be bundled into an adjustment factor. TFG suggests an adjustment factor should account for 20% of the weight of a reference level.
5) Explicitly require estimates of uncertainty in values for key terms (such as the confidence in forest carbon measurements or rates of loss, per forest class).
6) Require proper statistical error propagation when establishing reference levels.

Requiring proper error propagation on reference level calculations is already at the core of the Intergovernmental Panel on Climate Change (IPCC) guidelines and credible voluntary market standards. Given current uncertainties of forest carbon stocks and forest class changes, TFG suggests ARB would *de facto* establish a crediting baseline approximately 30% to 40% below mean estimates of reference levels. However, rather than prescribing large reductions before crediting can begin, TFG believes ARB should use an organized, logical and statistical approach to reference levels. This can be distilled to mean 'credits are only issued when there is very high confidence that emission reductions are real'. This practice, although complex, is already a widely-used process with tested methodologies in place. This approach also will allow ARB to simplify its rule-making process, provide appropriate incentives to reduce uncertainties, and be fair to developing country states and provinces.

TFG has additional thinking on these topics and we look forward to sharing them with you in the future.

John O. Niles
Director