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## United Nations Framework Convention on Climate Change COP13 December 3-14, 2008 Bali, Indonesia

The recent IPCC Fourth Assessment Report is unequivocal in its statements that climate change is happening, is caused by human activity, and – if left unconstrained – will have devastating consequences for people and the ecosystems on which they depend. The report also indicates that cost-effective solutions are at hand; the Stern report concludes that the costs of dealing with climate change effectively are several times less than the costs of ignoring it. The message from both reports is clear – it is time for concrete action at individual, local, national and international levels.

UNFCCC COP13 at Bali is fundamentally about starting a process to take further action at the international level. The Nature Conservancy therefore calls on Parties at COP 13 to initiate a formal, time-bound negotiating process that will result in new, legally binding international commitments to further reduce greenhouse gas emissions.

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### THE NEGOTIATING MANDATE:

In order to avoid dangerous anthropogenic climate change, the Conservancy believes that substantial emissions reductions on the order of 60-80% below current levels by 2050 are necessary. The Conservancy believes that new commitments are clearly necessary to reduce emissions when the first commitment period of the Kyoto Protocol ends in 2012.

The so-called “Bali Roadmap” should establish a two-track negotiating process.

The existing Ad Hoc Working Group under the Kyoto Protocol should continue its work with a renewed mandate to establish further reduction commitments for industrialized countries for the year 2020 and expand the flexible mechanisms under the Kyoto Protocol. This should also include: a review of the Clean Development Mechanism, a re-examination of Land Use, Land Use Change and Forestry (LULUCF) provisions, and an exploration of ways to expand carbon markets.

With the conclusion of the Dialogue Process under the Convention, Parties should establish a second negotiating track under the Convention to develop a framework that includes further legally binding commitments for industrialized countries, enhanced actions that can be undertaken by non-Annex I Parties, and financial and technology incentives to facilitate the latter.

Discussions on a future mechanism to address reducing emissions from deforestation and degradation (REDD) should take place in both tracks of the two-track negotiating process, as the mechanism is relevant to both Annex-I and non-Annex-I Parties and needs to be considered by countries that are currently not Parties to Kyoto.

Both negotiating tracks will need to be brought together to form a comprehensive, post-2012 agreement. That final agreement should be reached in time to be in force when the current commitment period of the Kyoto Protocol expires in 2012, which implies that the negotiations should be completed by 2009, at COP15.

## **THE NATURE OF THE FUTURE REGIME:**

The next commitment regime should be comprehensive and inclusive – it should be acceptable to all major emitters, both from the North and the South.

Industrialized countries must take on substantial, further quantified emissions reductions obligations.

Developing countries, particularly leading emitters, must also be prepared to take on additional, measurable efforts to constrain their emissions. Following the principle of common but differentiated responsibilities, developing countries should not be required to take on the same level or type of commitments as industrialized countries. Developing countries need not necessarily take on economy-wide quantified emissions reductions targets, but they should be prepared to consider a flexible framework that incorporates a range of possible actions and commitments, in line with the national circumstances of different countries. Examples could include any of a range of options, such as economy-wide energy intensity targets, sector specific energy efficiency targets, or sector-specific policies and measures, e.g. a commitment to halt net deforestation emissions by 2020, or to reach a target level of renewable energy in the electricity generating sector.

In order to facilitate concrete additional measures by developing countries, donors need to increase aid and technology incentives. Since aid will not be sufficient to facilitate the necessary transitions, Parties also need to find innovative ways to create incentives for private resource and technology transfer to developing countries.

The next round of commitments should also be comprehensive. All sectors – including forests and land use, aviation and marine transport – should be brought within the international regulatory regime.

The next round of commitments should also be efficient. The Nature Conservancy believes that market-based approaches hold the greatest

potential to ensure that emissions reductions can be found at the least cost. We therefore support approaches that allow trading within and between national and regional emissions trading systems, as well as approaches that allow for trading of emissions credits with developing countries subject to rigorous monitoring and verification of both global climate benefits and local socio-economic benefits. Emissions trading systems that link developing countries' reduction opportunities to industrialized country carbon markets have the advantages of creating incentives for concrete action in developing countries, transferring financial resources there, and reducing overall regime compliance costs.

## **REDUCING EMISSIONS FROM DEFORESTATION AND DEGRADATION (REDD):**

The next international climate change regime should include a global system of financial incentives that values the carbon stored in standing tropical forests in a way that contributes to sustainable development and protects the ecosystems on which people depend.

### *Stimulating Immediate, Large-Scale Action*

The urgency of the climate crisis dictates that a global mechanism should create incentives for all countries to begin reducing deforestation and forest degradation.

The Nature Conservancy's experience with many of the early projects in the forest carbon market has demonstrated that project-level emissions reductions can be reliably measured and leakage accounted for, but that transaction costs are high. In order to reduce deforestation at a scale sufficient to significantly mitigate climate change, it will therefore be necessary to create a REDD mechanism that encourages national-scale efforts to reduce deforestation. Such a national-level mechanism would achieve emissions reductions at significant scale, with lower transaction costs and reduced concerns about leakage.

While the primary emphasis of a REDD mechanism should be on national-level activities,

some developing countries may not be prepared to begin national-level activities in the short-term. A flexible, step-wise approach that allows these countries to participate in the mechanism with sub-national-level activities could help these countries reduce deforestation while building the capacity needed to eventually undertake national-level activities.

#### *Funding Mechanisms*

Reducing tropical deforestation at scale will require a mechanism that generates billions of dollars per year in financing. This will require a variety of mutually reinforcing funding options, including direct incentives, official development assistance, carbon markets, multilateral donor funds, and other potential revenue sources. The Nature Conservancy believes market-based approaches to REDD offer the greatest potential level of revenue, as well as efficiency in directing resources, but is open to other options that would generate similar levels of funding. In a market-based mechanism, REDD credits, generated through rigorous and verifiable methodologies, should be fully fungible with emissions reductions from other sectors, but they must also be accompanied by deeper Annex-I targets to ensure that REDD credits do not supplant emissions reductions from the energy sector.

#### *Degradation*

In some countries, forest degradation is a larger source of emissions than deforestation, and such degradation is often the driving process for ultimate deforestation. Including degradation in the mechanism will present additional challenges to monitoring, however, and increase the technical demands and costs. Therefore, the Conservancy recommends that SBSTA examine the implications of including degradation within the mechanism. The Conservancy supports including degradation into the REDD mechanism, so long as the monitoring challenges can be overcome.

#### *Environmental and Social Co-Benefits*

National REDD strategies have the potential to generate significant benefits for indigenous peoples and forest-dependent communities by rewarding sustainable management and

maintaining the forests that provide watershed protection, fuelwood, traditional medicines, and cultural identity. To ensure net positive benefits for local communities, any REDD mechanism must respect, protect, and build upon the rights and needs of indigenous peoples and local communities, including customary rights related to land tenure and the right of indigenous peoples to prior informed consent over activities that affect them and their lands.

The protection of standing forests also means the protection of species diversity, water catchments, air quality, and soil biodiversity. A REDD mechanism should support activities that contribute these additional environmental benefits. A REDD mechanism should also include measures to ensure that policies and incentives to reduce deforestation are consistent with other international conventions and agreements, including the Convention on Biological Diversity.

#### *Encouraging Early Action*

While a full-scale REDD mechanism will not be operational until the post-2012 time frame, interim actions and pilot activities that will help reduce deforestation in the near-term and generate valuable experience to inform the consideration of future REDD mechanisms should be encouraged. To reinforce this encouragement, Parties should explore ways to ensure that such reductions in the years before a second commitment period are eligible for compensation under any post-2012 commitment period.

#### *Countries with Historically Low Rates of Deforestation*

Some provision should be made for countries that currently have low deforestation rates but may face higher pressure to deforest in the future. Historical reference levels would not induce those countries to participate in the mechanism. Without some incentive to protect their forest resources, these countries are likely to face increasing pressure to deforest, especially as countries with higher deforestation rates implement REDD mechanisms that may reduce the supply of forest products.

## ADAPTATION:

No matter how successful mitigation measures may be, the geophysical world is already committed to a substantial amount of warming and associated impacts. Adaptation should also be part of the solution, particularly given the findings of the IPCC indicating that some of the most severely affected will be some of the world's poorest communities – those least able to cope on their own and those least responsible for the problem.

The natural systems on which we all depend, especially the poorest of the poor, will be affected and suffer from climate change. Conservation and sustainable natural resource management strategies are part of the solution to help people and nature adapt and should be built into future policy and measures for adaptation. For example:

- Continental interiors will dry, limiting agricultural productivity and threatening food security. Innovative watershed management strategies can help.
- Coral reefs will bleach, potentially impacting marine fisheries and the people who depend on them. Marine conservation, effective fisheries management, and the conscious design of resilient networks of marine protected areas can help.
- Sea level will rise. Conservation and restoration of mangroves and wetlands can help buffer those impacts.
- Flooding will increase. Conservation and restoration of vegetation in watersheds can help moderate hydrological flows.

In addition, mitigation and adaptation measures should be screened for their biodiversity and socio-economic impacts. People and the planet will not benefit in the long run if we merely trade short term climate-friendly solutions for biodiversity-degrading or livelihood-diminishing problems.

The international community will also need to generate substantially greater sources of funding for adaptation. The Stern report estimates that the

annual costs of adaptation will be in the tens of billions of dollars. Development assistance will have a large and catalytic role to play and will need to be significantly expanded and better targeted as part of the post-2012 agreement. However, even the most optimistic scenarios for foreign aid will be wildly short of the need. As part of the adaptation puzzle, Parties will need to design incentive systems to generate private financial flows to developing countries to facilitate adaptation.

Finally, the Subsidiary Body for Implementation and COP 13 will also consider the Adaptation Fund. The Nature Conservancy urges Parties to take a final decision in Bali establishing the governance structure for the Adaptation Fund and identifying an operational entity for the Fund.

In providing guidance for the operational policies and guidelines for the Adaptation Fund, Parties should ensure that Adaptation Fund projects:

- Prioritize the needs of the most vulnerable countries, communities and ecosystems;
- Maximize opportunities for local livelihoods benefits and biodiversity benefits in adaptation projects;
- Need to demonstrate principles of equity, transparency and accountability;
- Take advantage of local civil society expertise by ensuring that projects are open to NGOs either as formal implementing agencies (if such a role is established) or as project implementing partners.

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