

Global Mechanism for Reducing Emissions from the Forest Sector

Draft Proposal



June 2009

Design Principles

1. 3 billion tons from REDD annually by 2020

- ~ Half current REDD emissions rate
- Combined with strict Annex 1 targets

2. Environmental integrity

- Baselines, MRV, leakage, permanence

3. Feasible and performance based

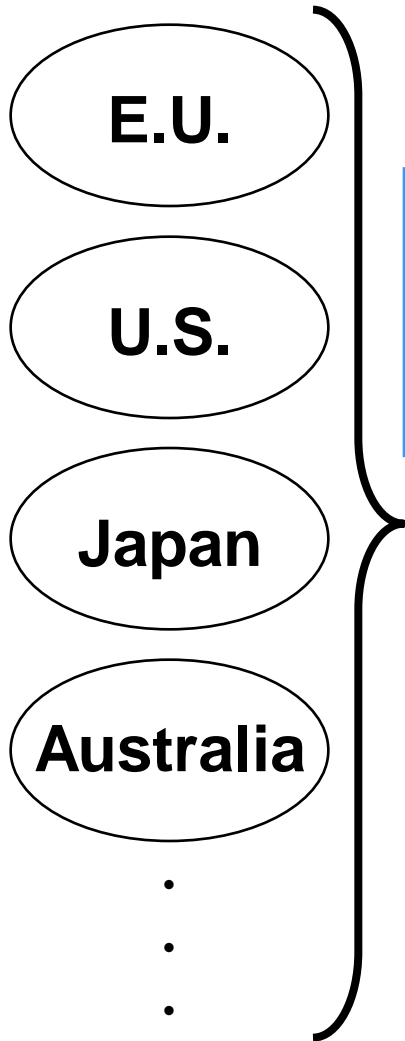
4. Respect for rights of indigenous peoples & communities

5. Broad participation of forest nations

6. Flexibility - scales, phasing, country progression

Overall Framework

Annex I



Public Funding Mechanisms

- Allowance Sales
- Taxes & Fees
- ODA

Readiness Funds →

Catalyst Funds →

Stabilization Facility →

Levy

Market Mechanism

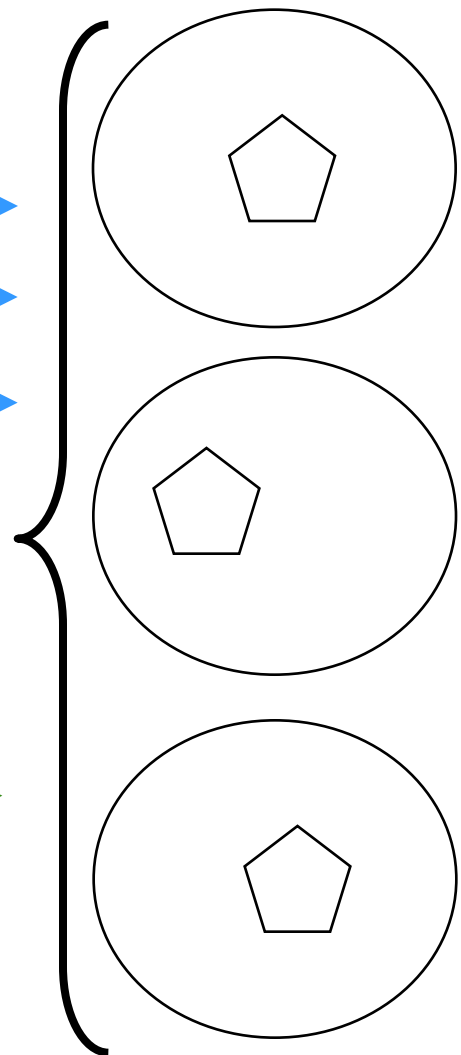
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Offsets

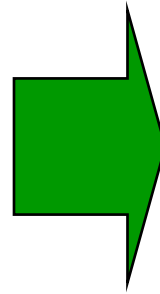


Non-Annex I



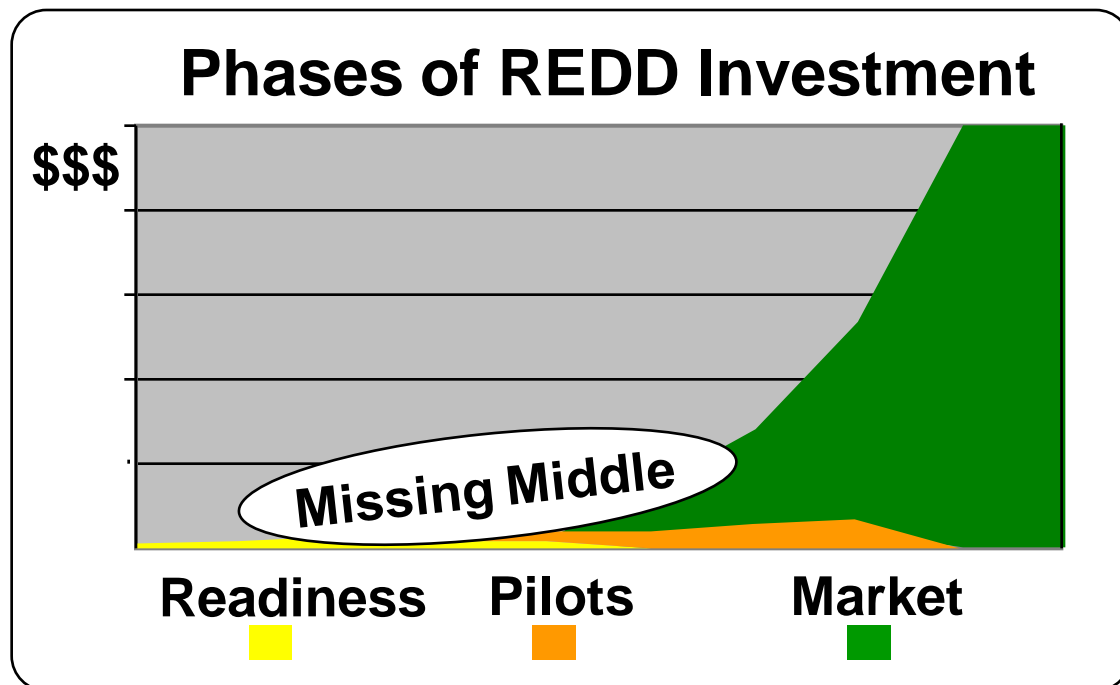
Readiness Fund

- Reference scenarios
- Monitoring and verification systems
- Emissions reduction plans
- Institutional capacity building
- Legal reforms



- \$4 billion over five years
- \$2 billion over next five years

Catalyst Fund



Key REDD Risks

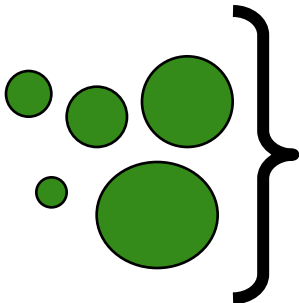
- Delivery risks
 - Reduced emissions
 - Measurement
 - Legal rights
- Market risks
 - Volumes
 - Prices
- Political / policy risks

- Initial upfront capital
- Co-investment, loans, ERPAs, guarantees
- ~\$34 billion over ten years

Market Mechanism

**Annex I
Countries**

**Non-Annex I
Countries**

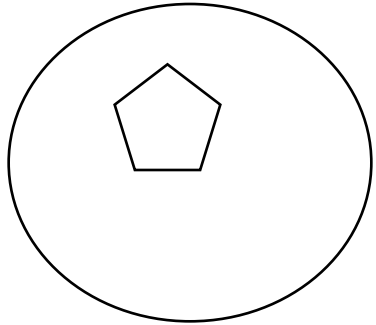


Buyers

3 Billion CO₂ Offsets

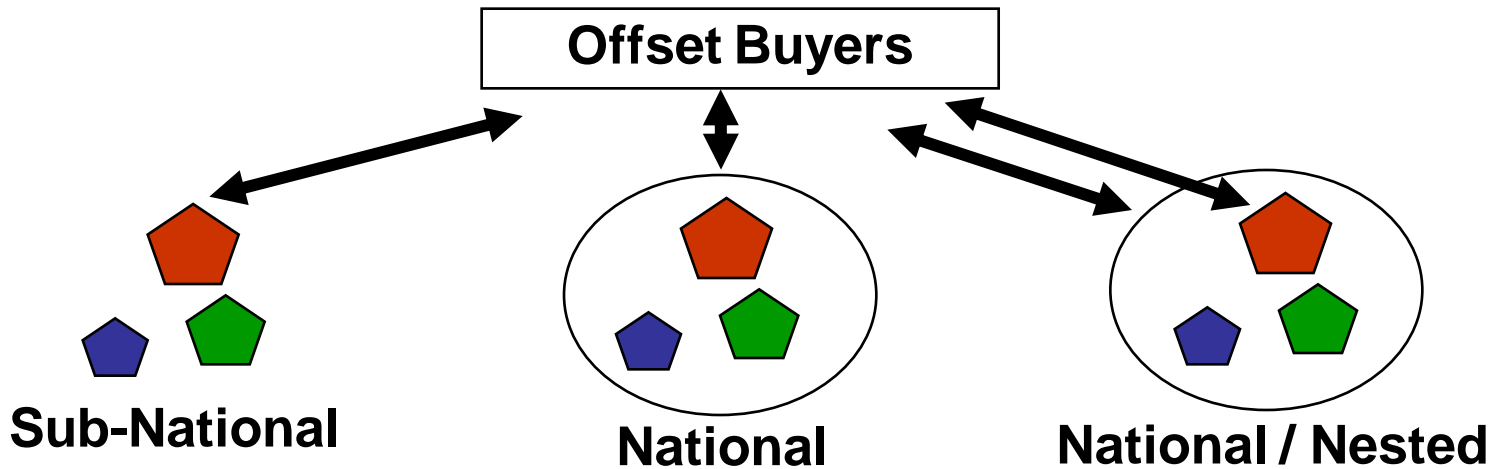


\$45 Billion



Verification

Scale of Activity



➡ National accounting within 5 to 10 years

Sub-national transition

- Critical pathway to national success
- Minimum scale of accounting
- Leakage discounts

Sub-national nested

- Tried to national accounts
- Option to attract capital & expertise
- Risks managed through national reserves and contractual mechanisms

Scope of Activity

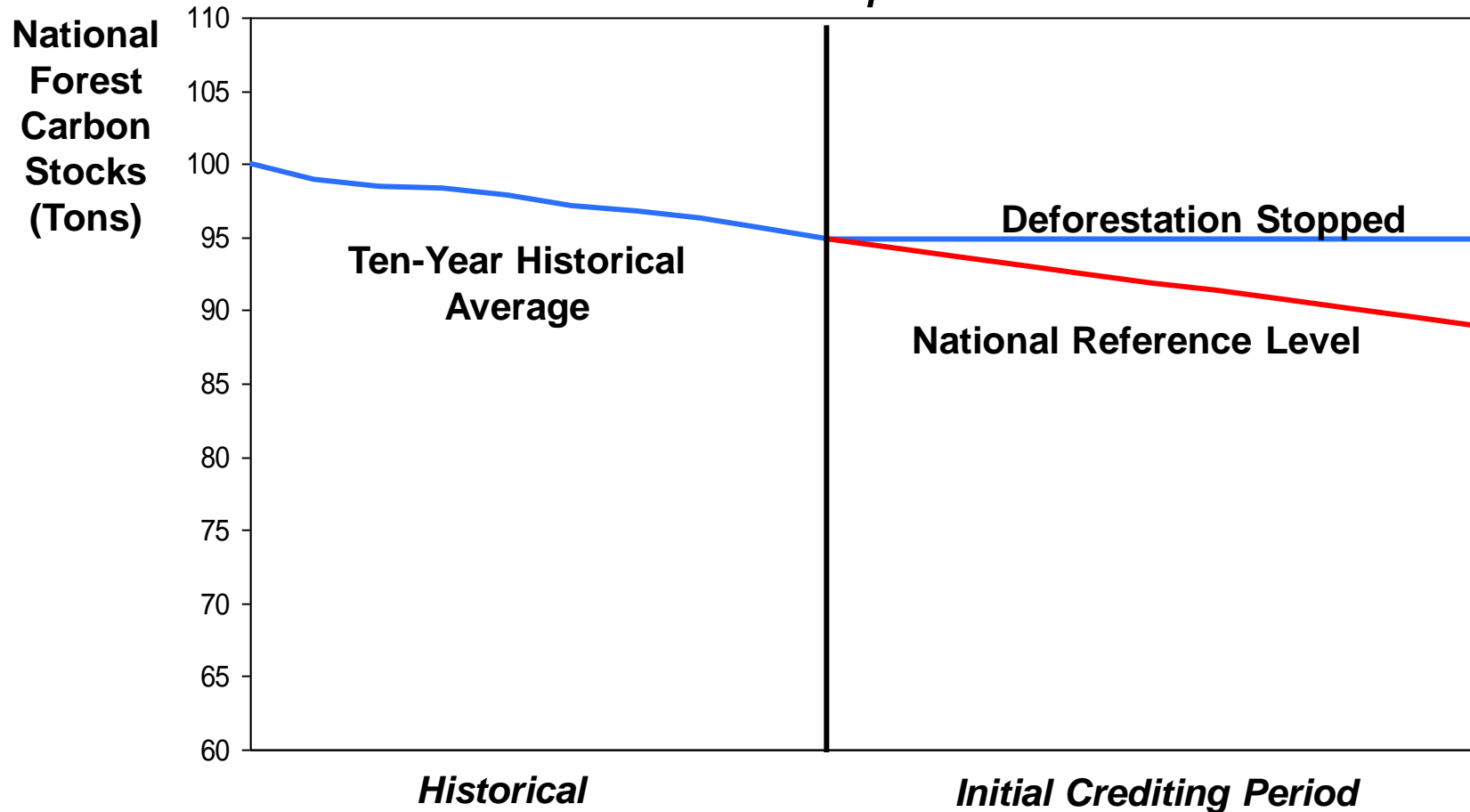


- **Comprehensive approach needed (AFOLU)**
- **Include from beginning:**
 - Deforestation
 - Degradation
 - A / R
- **Degradation is critical:**
 - Large share of emissions
 - Precursor of deforestation
 - Effective strategies
 - Credible measurement
- **Phase-in Ag and OLU**

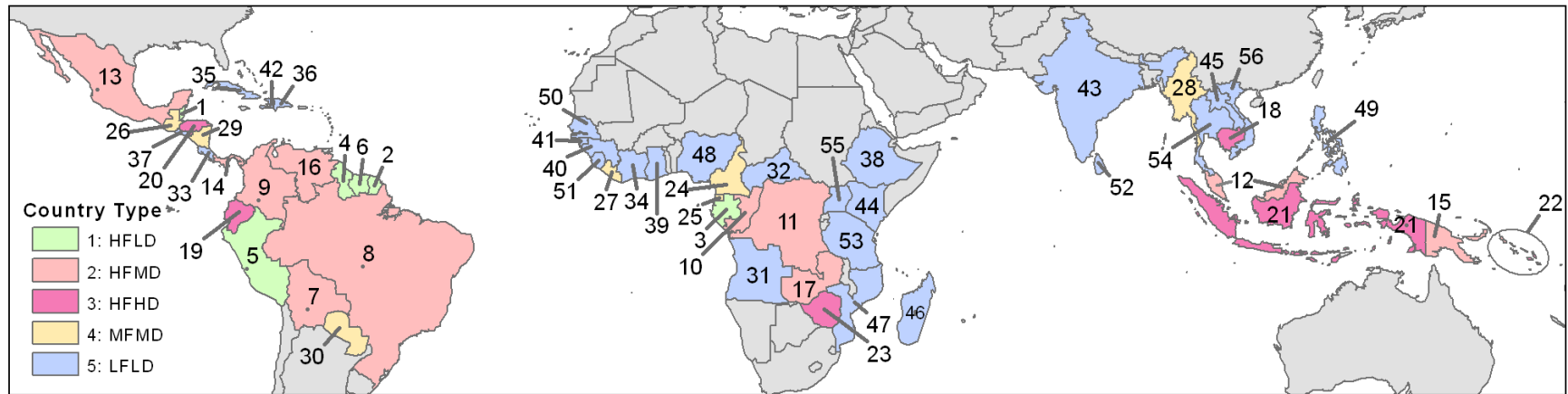
Environmental Integrity: Reference Levels

Simple, transparent, overall system-wide reductions.

Stock Perspective



Stabilization Facility



- Investment in national plans based on forest carbon stocks:
 - forest protection
 - sustainable development
- Estimated cost of \$9.5 billion annually by 2020
- Funding
 - ~50% from 10% levy on market offsets
 - ~50% public sources

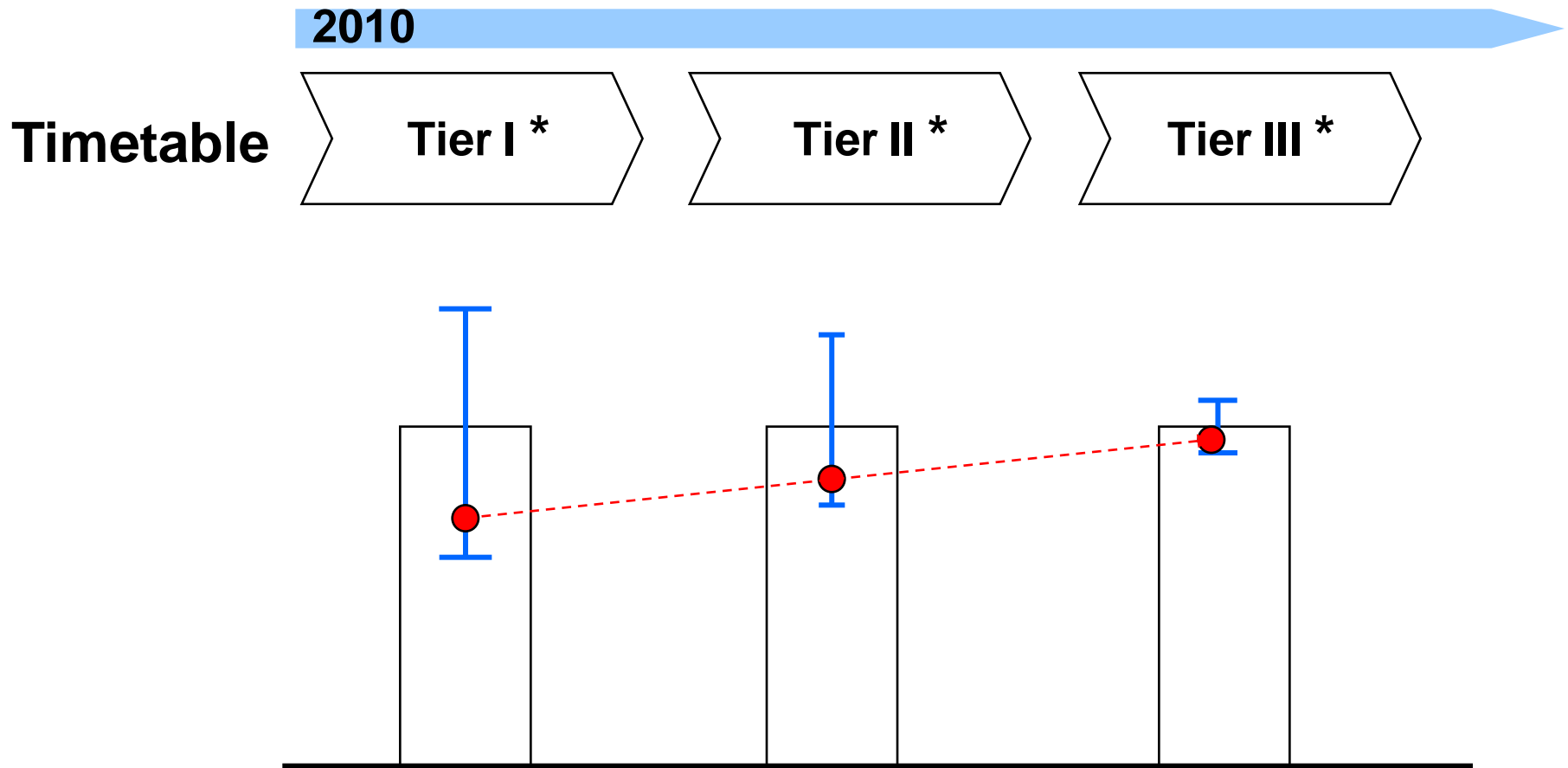
Environmental Integrity: Leakage



- Stabilization fund
- Broad country participation
- Transition to national
- REDD strategy design
- Leakage discounts for sub-national

Environmental Integrity: MRV

Timetable and incentives for increasingly rigorous MRV.



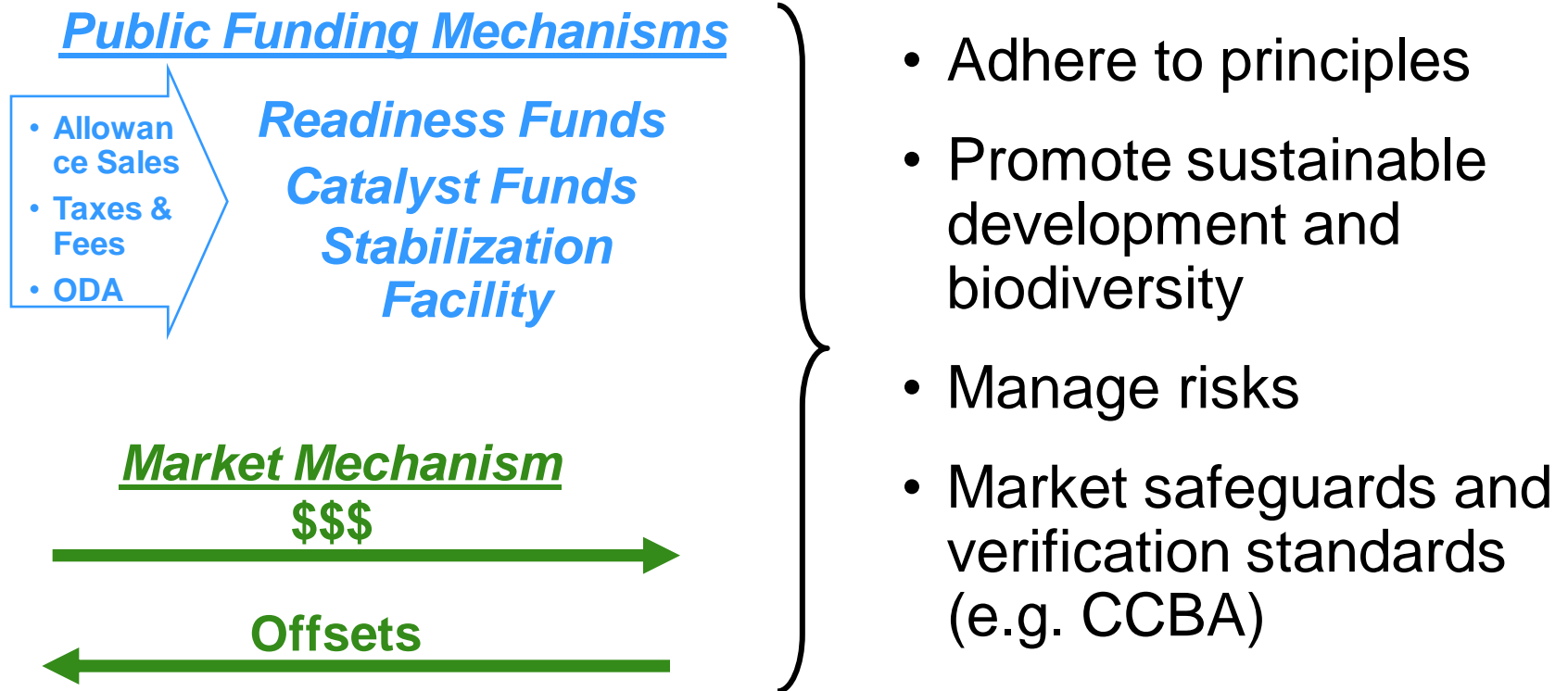
* Refined IPCC Tiers.

Environmental Integrity: Permanence



- Alignment of stakeholder incentives
- Legal, institutional, governance structures
- National permanence reserves

Social and Biodiversity Considerations



Transition Approach

2010

2020

Scale of Offset Crediting

Sub-national

Trued to national

National

Scope of REDD Activities

Deforestation, degradation, and A/R

Ag. & Other Land Use (when ready)

Funding, Standards and Incentives

Readiness Funds

Catalyst Funds

Stabilization Facility

Voluntary Market

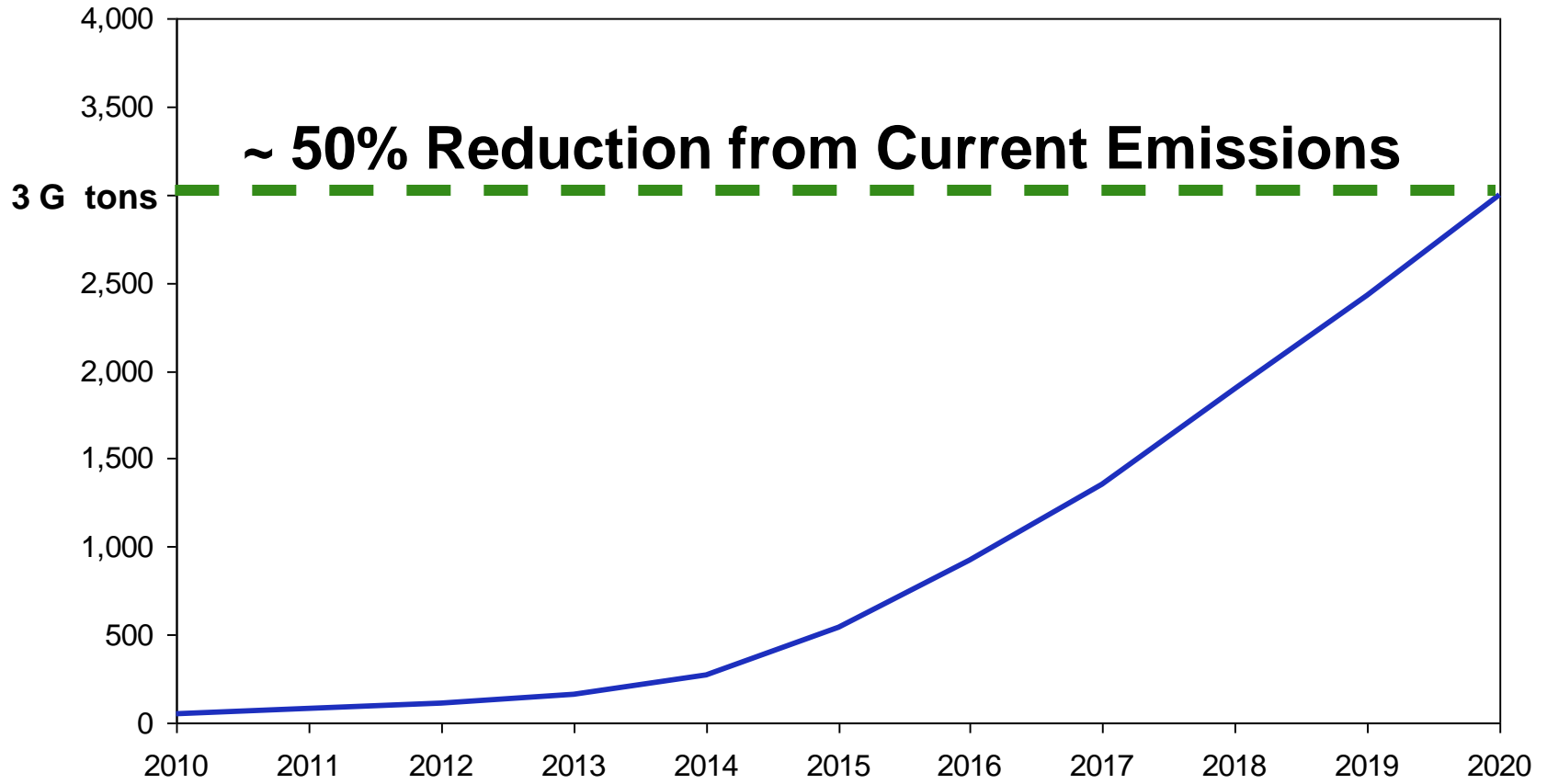
VCS / CCB

Compliance Market

Increasing MRV confidence levels

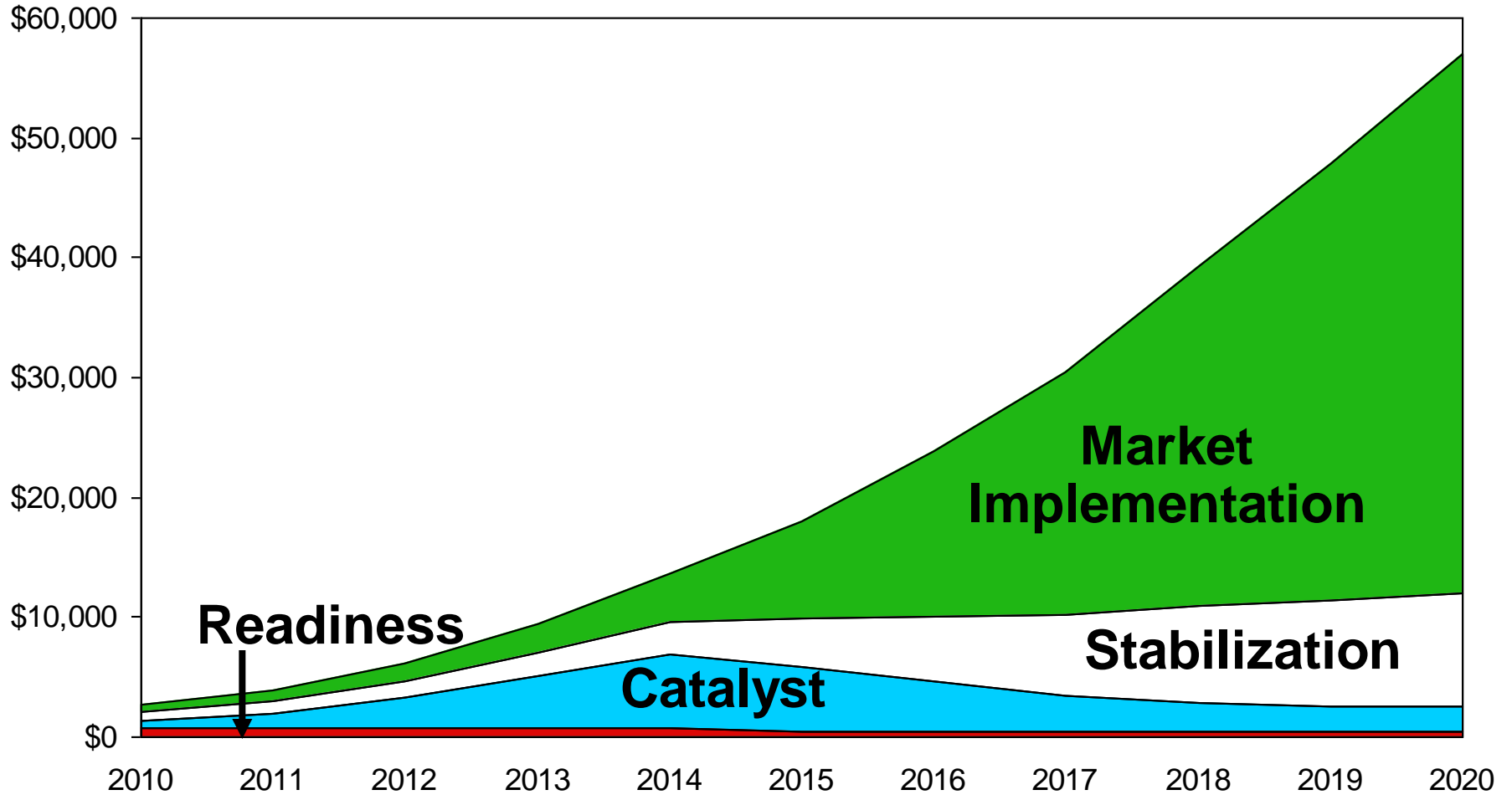
Estimated Mitigation

CO2e Tons
Millions

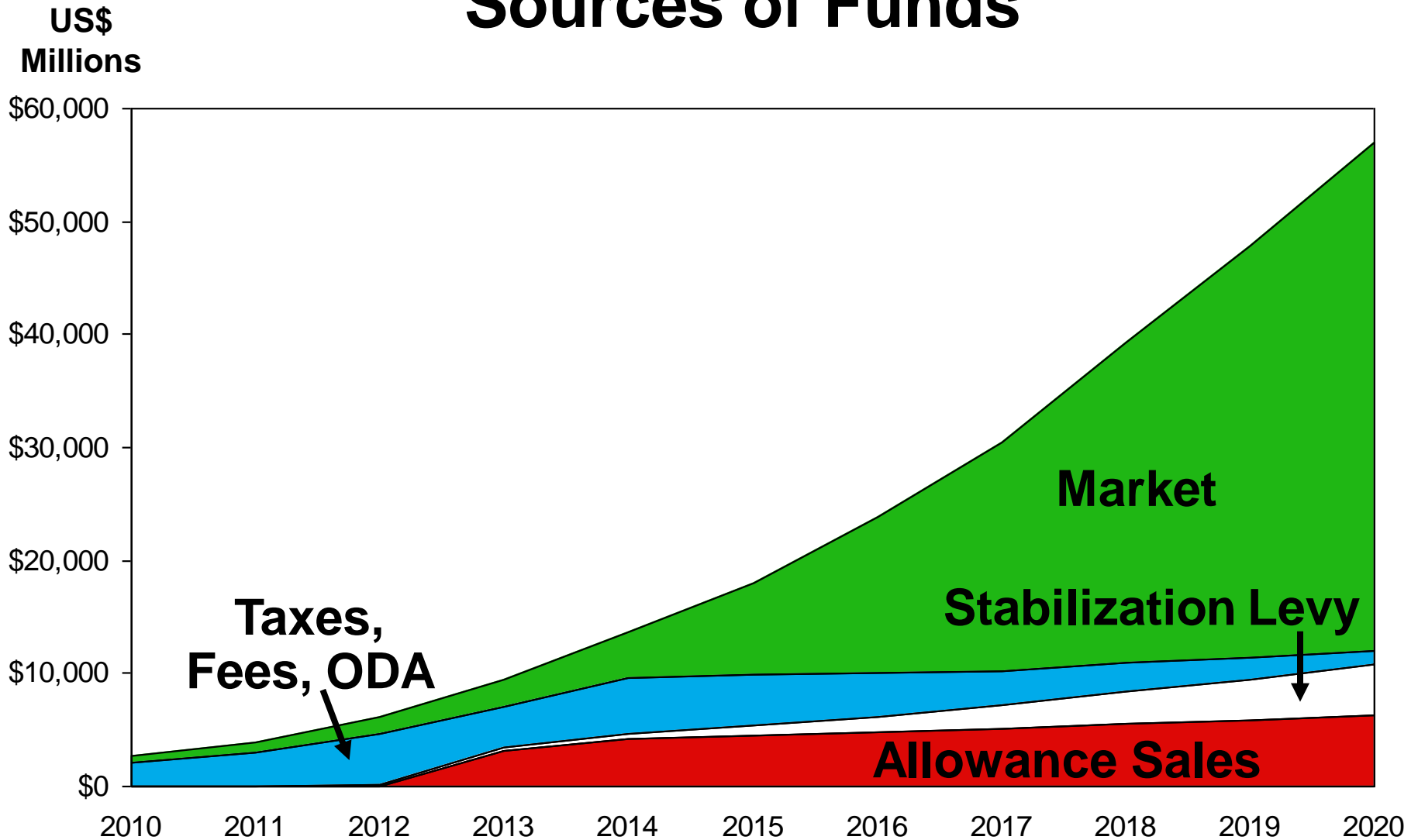


Uses of Funds

US\$
Millions



Sources of Funds



Comparison to Other Proposals

Areas of Convergence

- Halve deforestation by 2020
- Major near-term public funding investment:
 - ~\$10 bn / yr. by mid-decade
 - Readiness
 - Early REDD implementation
- National accounting as soon as practical
- High standards for environmental integrity
- Flexible transition period
- Social / biodiversity needs

Areas of TNC Emphasis

- Historical average baselines (for initial period)
+
Stabilization facility for less threatened forests, leakage
- Sub-national during transition and option to nest within national accounting
 - minimum size requirement
- Degradation
- Focus early REDD investment on catalyzing market development