

SOLUTIONS through SYNERGIES

REDD & SECTORAL APPROACHES

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Foreword

This report constitutes an extremely informative guide to the efforts that UNFCCC negotiators are making toward incentivizing and ensuring developing country emission reductions. Robust nationally appropriate mitigation actions (NAMAs) by all Parties are essential for achieving the widely endorsed goal of climate stabilization at a maximum 2°C global temperature increase. NAMAs include measures that target emissions at the sectoral level and thus, in concept, encompass reduced emissions from deforestation and forest degradation (REDD). But the “REDD negotiation track”, in which developing countries have led the advance of both methodological and policy discussions, appears closer to its intended destination in Copenhagen than the “sectoral approaches negotiation track”, in which design options and the details of implementation have not yet been discussed. A compre-

hensive, well-integrated Copenhagen agreement would recognize the respective roles of REDD and other sectoral approaches and provide for a sensible institutional architecture to promote effective, efficient, and equitable financing and verification. But we are not there yet.

The report identifies the areas of logical convergence between the two tracks, and points to ways in which REDD discussions could productively inform the elaboration of other sectoral approaches. In particular, the logic of a three phase process that is now accepted within the REDD track is likely to be broadly applicable to all sectors, as is the intent for policy approaches and positive incentives to contribute to the realization of both near-term mitigation potential and sustainable, low-emission economic growth and development.

As the calendar advances inexorably toward COP-15, the REDD discussions have acquired an increasing sense of urgency that corresponds to the impacts of climate change already felt in developing countries, the fear of future impacts, the expectations that have been raised both by bilateral and multilateral funding initiatives, the leadership on REDD policy initiatives and REDD implementation that a number of developing countries have already demonstrated, and broadened recognition of the large and timely emissions abatement opportunity that REDD represents. Yet that sense of urgency is accompanied by a related sense of frustration and increasing concern regarding other aspects of the Copenhagen agenda that have not progressed as far, including not only NAMAs and sectoral approaches, but virtually all components of the five building blocks

of the Bali Action Plan - from the shared vision, to the joint missions of adaptation and mitigation, to the means of technology and financing.

Within REDD, Parties have built trust, partnerships, and a shared sense of purpose amid difficult discussions around scope, equity, and finance. Difficult discussions remain, but the sense of urgency on REDD is accompanied by a sense of achievability. As REDD continues its transformation from a marginal issue to recognition as a mainstream mitigation action on the UNFCCC agenda, let us hope that sense of urgency and achievability soon infect all aspects of the negotiations. We must overcome the frustrations and address the concerns that remain, or we will face the higher costs of our inability to respond adequately to this global crisis.

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ABSTRACT

In the international climate negotiations leading up to a Copenhagen agreement, different topics are often discussed separately and with specialized experts. This implies that synergies between concepts are sometimes not identified.

Two issues that receive particular attention in the negotiations are “Reducing emissions from deforestation and degradation” in developing countries (REDD) and “sectoral approaches”. With this report, we want to close the gap between REDD and sectoral approaches, explore synergies where they exist and discuss how they can be used. We identify ways in which positive aspects and advances on particular issues in the separate tracks can support the broader discussion on the Copenhagen “package” in general. We provide recommendations on how to find pragmatic, realistic ways to use these synergies to advance the international climate negotiations up to and after Copenhagen.

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CONTENT

1	INTRODUCTION	6
2	SETTING THE SCENE	7
2.1	REDD and sectoral approaches within the Bali Action Plan	7
2.2	Scale of emission reductions from REDD and sectoral approaches	8
2.3	Negotiation tracks and the Bali Roadmap	9
3	COMPARING REDD AND SECTORAL APPROACHES	13
3.1	Prominent issues in the discussion	13
3.2	Elements of the architecture	14
3.3	Similarities and differences	16
4	APPROVAL PROCESSES FOR A BASELINE OR FUNDING OF AN ACTION	18
4.1	Definition	18
4.2	Existing proposals	18
4.3	Key findings	20
5	RECOMMENDATIONS	21
5.1	Improve communication	21
5.2	Transpose agreements from one topic for the other	21
5.3	Supporting the readiness for sectoral approaches and REDD equally	21
5.4	Ensure balanced supply and demand of credits	22
5.5	Streamline discussion on process to approve funding for developing country action	22
A	APPENDIX A · HISTORY OF NEGOTIATION STREAMS	23
A.1	REDD	23
A.2	Sectoral approaches	25
B	APPENDIX B · DESIGN OPTIONS	27
C	APPENDIX C · ABBREVIATIONS	29
	REFERENCES	30

1. INTRODUCTION

Since the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol entered into force, many decisions have been taken by the Conference of the Parties (COP). These decisions have led to the creation of an international carbon market, the implementation of project-based mechanisms, a comprehensive reporting framework and the establishment of various institutions implementing the Convention and the Kyoto Protocol. With the Bali Action Plan, negotiations for a follow-up to the Kyoto Protocol after 2012 have started and are planned to be finalized in December 2009 in Copenhagen.

In the course towards a new international post-2012 agreement about climate change policies, specialized experts are discussing many different topics. However, discussing these issues in isolation from each other often means that possible synergies are not identified. By synergies, we mean cooperative interaction that creates an enhanced combined effect.

In particular this applies to two issues that receive much attention in the post-2012 negotiations: The topic of “Reducing emissions from deforestation and degradation” of land in developing countries (REDD) and the issue of setting targets for entire global industrial sectors or sectors within countries (sectoral approaches).

While REDD is also a sectoral approach as it covers one sector, namely the forest sector, in this report the term sectoral approaches refers to the discussion on sectors other than the forest sector.

REDD, which in the negotiations also includes conservation, sustainable management of forests and enhancement of forest carbon stocks, and has therefore recently been labelled “REDD+”, is discussed in one distinct negotiation stream. REDD+ receives high attention, particularly from developing countries, and has advanced quite significantly. In this paper, for simplicity, we do not distinguish explicitly between REDD and REDD+ issues.

Sectoral approaches are discussed in parallel in different areas of the climate negotiations. The definition of the topic is less clear than for REDD. There is a distinction between ‘cooperative sectoral approaches and sector specific action’, which cut across countries, part of which are transnational sectoral approaches; and support for sector-specific actions in selected developing countries, including sectoral market-based mechanisms (e.g. sectoral crediting and sectoral trading). In this report, we concentrate on the sector-specific actions in developing countries, since here similarities and potential synergies with REDD are most prominent.

Apart from their inherent differences, both topics share the same core problem: how could policies incentivise, support and guarantee emission reductions, particularly in developing countries? Sharing the same basic question implies that answers may be similar. At this moment however, these similarities are not exchanged by the two isolated platforms.

With this report, we want to close the gap between REDD and sectoral approaches, explore synergies where they exist and discuss how they can be used. We identify ways in which positive aspects and advances on particular issues in the separate tracks can help inform the broader discussion on both and for the Copenhagen “package” in general. We provide recommendations on how to find pragmatic, realistic ways to use these synergies to advance the international climate negotiations up to and after Copenhagen.

2. SETTING THE SCENE

There are many discussions on REDD and sectoral approaches taking place inside and outside the formal UNFCCC process. They cover different aspects and take place in different contexts which is often confusing. We therefore set the scene by describing the formal negotiation streams for REDD and sectoral discussions within the overall UNFCCC context. Furthermore, we briefly address the problem of the scale of emissions from REDD and sectoral approaches.

2.1

REDD AND SECTORAL APPROACHES WITHIN THE BALI ACTION PLAN

The agreement on the Bali Road Map in December 2007 accelerated the pace of the international climate negotiations for a Copenhagen agreement, which is supposed to reach its grand finale in December 2009. The Bali Action Plan and the building blocks defined within that plan have set the frame for the negotiation process of the last years. Discussions on REDD and on sectoral approaches are influenced by this setting.

The building blocks of the Bali Action Plan are shared vision, mitigation, adaptation, technology and financing (Figure 1). This figure displays the coverage of sectoral approaches and REDD within those building blocks. Sectoral approaches are dealt with under mitigation, to a smaller extent under technology, and are linked to the discussion under financing. REDD is discussed under mitigation but also under financing. While there is discussion in the climate science community about links between deforestation and regional climate change effects, with the consequent link to adaptation there is little discussion on REDD in the negotiations on adaptation.

Several informal discussions on both topics also take place in various political fora (e.g. G8 and the Major Economies Forum) and within the research community. Although they are not part of the formal UNFCCC processes, these debates also have an important role in the process. The analysis in this report also takes these forum discussions into account.

Specifically for REDD, activities outside the UNFCCC are very lively and several programs supporting countries in capacity building and financing REDD pilot activities exist. These include the UN-REDD Program, the Forest Carbon Partnership Facility (FCPF), the Informal Working Group on Interim Finance for REDD (IWG IFR) and the Forest Investment Program (FIP).

There are various areas and layers of discussion within the building blocks of the Bali Action Plan that overlap, creating a complex environment for defining individual elements due to high interdependence.

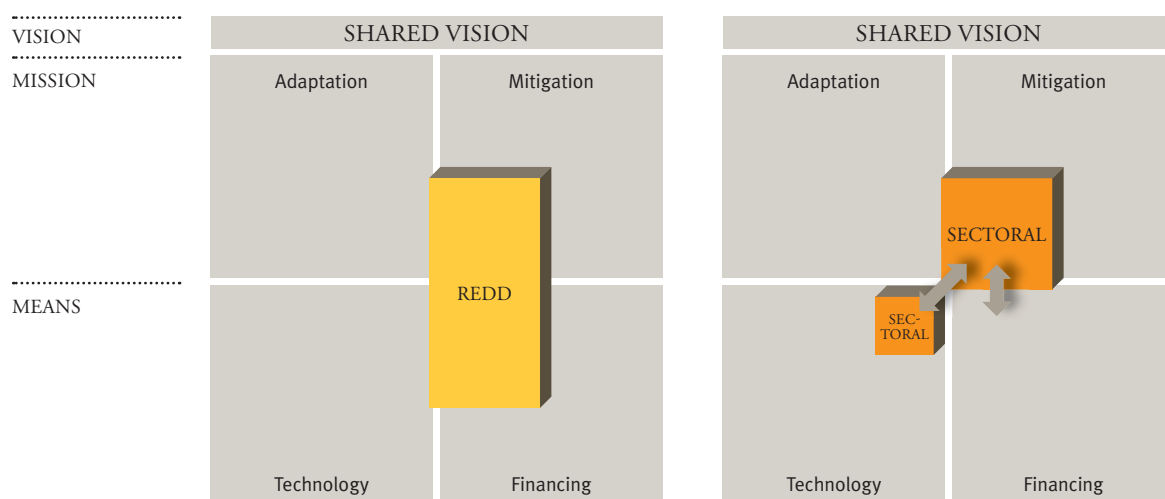


Figure 1.

Coverage of sectoral approaches and REDD within the building blocks of the Bali Action Plan © Ecofys 2009

Figure 2 illustrates the overlap of concepts within the mitigation discussion. Low carbon development plans can include several NAMAs. NAMAs could comprise the implementation of policies and measures or specific actions in a sector that are supported, ranging from capacity-building to direct mitigation activities. Financing of actions can be either via funds administered within a Copenhagen framework, or through the international carbon market.

Sectoral approaches or sectoral actions are general terms covering all concepts which include sectoral elements. Such approaches can comprise sectoral actions under the UNFCCC whose objectives are expressed in terms of technology or policy (e.g. diffusion and deployment of carbon capture and storage, implementation of fuel efficiency standard for vehicles). Sectoral crediting and sectoral trading are emission-based. Cooperative sectoral approaches (e.g. technology agreements) are outside of low carbon development plans in this picture, but it remains open whether such actions will be recognised as NAMAs.

The idea of sectoral crediting and sectoral trading is that developing countries voluntarily propose a baseline (in intensity terms, e.g. tCO_2e/t cement, or in absolute terms, tCO_2e) or an absolute emission target at the international level. Under sectoral crediting, the government would receive credits (ex-post) if it can prove that its intensity/emissions have been reduced below the baseline. In the case of sectoral trading, emission allowances for the sector would be allocated to the country in advance. While sector crediting is often discussed in the form of a sector no-lose target for which no penalty applies in case of non-compliance, the target under sectoral trading has to be binding.

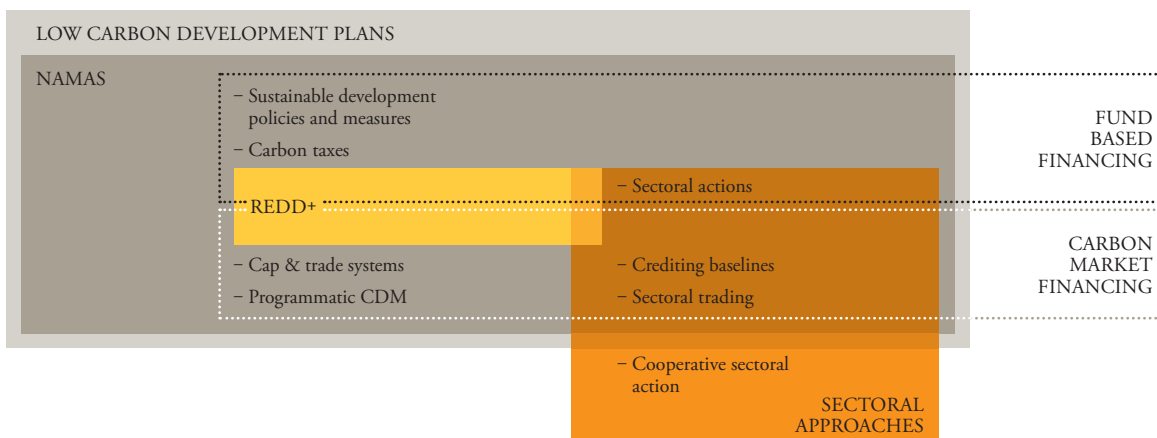
REDD could be seen as a NAMA that would be financed through funds and/or through the carbon market. Sectoral approaches could also be financed through funds, but are discussed primarily as carbon market instruments.

2.2

SCALE OF EMISSION REDUCTIONS FROM REDD AND SECTORAL APPROACHES

The scale of emission reductions from REDD and sectoral mechanisms has an important influence on global emissions and the carbon market. There is an essential difference between market-based approaches (for REDD and sectoral) and fund-based approaches:

1. Market-based approaches would lead to the issuance of REDD and sectoral credits which increase the supply of credits in the future carbon market. In this case, credits/units can be bought by Annex I countries to fulfil a part of their mitigation obligations. While Annex I targets should be as stringent as possible with or without REDD/sectoral mechanisms, reduction targets for Annex I will have to be even more stringent if REDD/sectoral credits from non-Annex I countries can be used by Annex I countries for compliance.
2. Approaches providing direct funding independent of the carbon market do not increase the supply of credits on the international carbon market and, thus, do not influence the relation of supply and demand on the international carbon market.



From this it becomes obvious that negotiations on Annex I targets up to Copenhagen will have to consider in detail decisions to be taken on REDD and sectoral approaches. Such details do not only include the type of REDD/sectoral approach to be adopted, but also the timing (phased approach) and possible coverage of sectors and countries.

In case of market-based approaches, additional credits from REDD and sectoral crediting would have an impact on the amount of domestic reductions in Annex I countries, assuming that Annex I targets are not adapted accordingly. Numbers on the potential credit supply from REDD are rare and subject to considerable uncertainties. However, the available estimates suggest that they would represent a significant proportion of Annex I reduction targets.

For sectoral approaches the quantification is difficult as well, since there are many sectors involved. Estimates of credits from such mechanisms range from 0.1 to 1.1 Gt CO₂ for the power sector alone between 2013 and 2020, depending on the countries covered and the level of ambition (Baron et al. 2009). These estimates suggest that market-based sectoral approaches would also generate a considerable magnitude of credits which would have to be taken into account in setting Annex I targets. In any case, it can be concluded that the insecurities relating to the supply of credits from REDD and sectoral approaches constitutes a serious challenge for the carbon market.

Moreover, depending on the fungibility of credits, REDD and sectoral credits could also be in competition with each other which would influence where emission reductions would take place, and thus lead to possible shifts between sectors, regions and countries.

2.3

NEGOTIATION TRACKS AND THE BALI ROADMAP

At COP11/CMP1 in Montreal, a new subsidiary body was created with the goal to work on the design of a future climate agreement beyond 2012. To discuss future commitments for industrialized countries under the Kyoto Protocol, the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP1) established a working group called the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (AWG-KP). The Conference of the Parties at its thirteenth session (COP13) then launched a comprehensive process to enable the full, effective and sustained implementation of the Convention through long-term cooperative ac-

tion, now, up to and beyond 2012 to take place within the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA).

Negotiations on a future international climate agreement have been taking place under these two tracks, one under the Convention and one under the Kyoto Protocol. The discussions on REDD have been very much independent from those on broader developing country mitigation actions, including sectoral approaches. We have analysed the negotiation streams with regard to what happened where and when in order to see what we can learn from the past. The following section provides an overview, while further details can be found in Appendix A.

REDD was first put on the agenda through a submission from Costa Rica and Papua New Guinea at COP11 in Montreal. The work on methodological issues on REDD then started within the Subsidiary Body for Scientific and Technological Advice (SBSTA) and triggered a whole series of activities, including a set of workshops and expert meetings on various sub-topics. The Bali Action Plan in 2007 then also gave a mandate to the AWG-LCA to discuss the topic. Although, the full mandate was given both to SBSTA and AWG-LCA, the SBSTA focused on part a) scientific, socio-economic, technical, and methodological issues, while the AWG-LCA concentrated on part b) policy approaches and positive incentives.

So far the AWG-LCA has discussed NAMAs and REDD separately. However, Parties raised the issue about possible links between REDD and NAMAs, both in their submissions and in interventions at the negotiations in June 2009. This question is not yet resolved and is still under discussion. REDD issues have also been referred to within the AWG-KP process, specifically in the discussions on mechanisms and it has been acknowledged by both working groups that the discussions in the other group need to be considered. There is also a link to the AWG-KP discussion stream under means (b) Land use, land-use change and forestry (LULUCF). While the LULUCF discussion is separate from the REDD discussions, there are overlaps on the methodological side (e.g. forest definition). Furthermore, many, if not most, of the negotiators are the same for these two negotiation streams.

To summarise: REDD and NAMAs are discussed in separate fora, although the discussions show some overlap. In addition the overlap of issues and definitions between the discussions on REDD and LULUCF has not yet been addressed sufficiently. Both areas require clarification and coordination between the topics.

Figure 3.
REDD negotiation streams

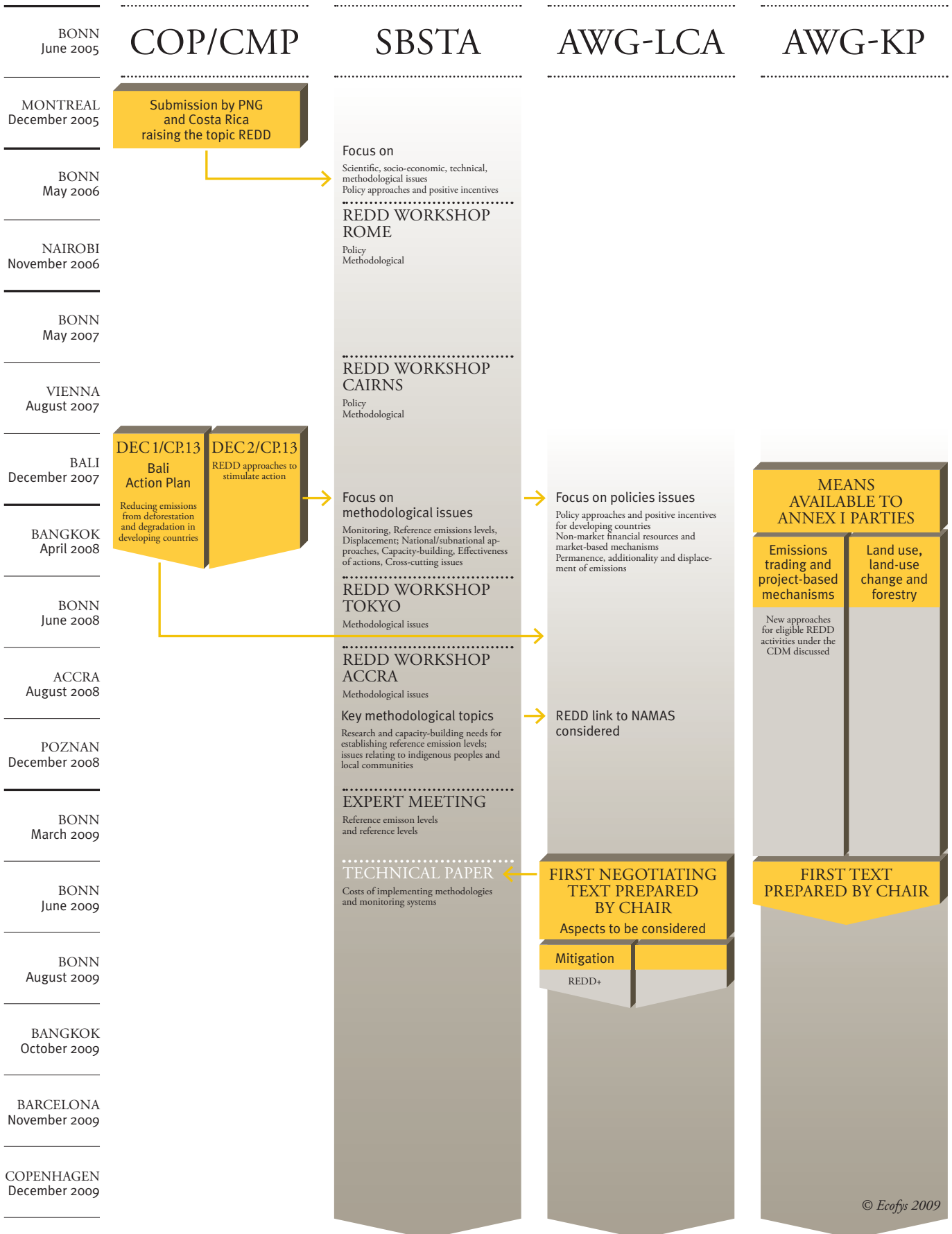
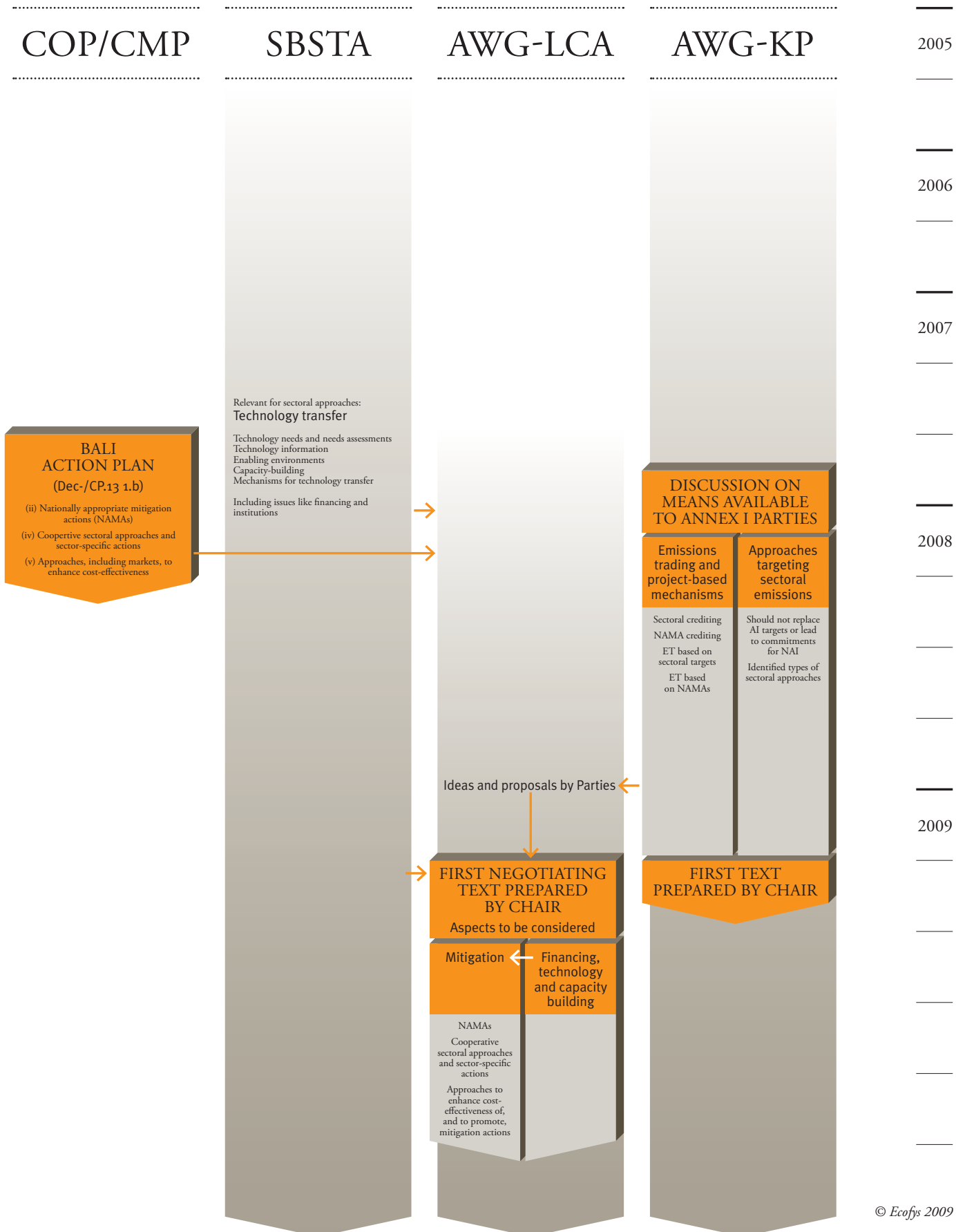


Figure 4.
Negotiation streams covering sectoral approaches



The discussions on “sectoral approaches” revolved for a long time around the definition of the term. Different stakeholders meaning very different things used the same terminology. Definitions were unclear, at times overlapping and thus the discussion was very confusing. Sectoral approaches received attention inside the UNFCCC but also prominently outside of the UNFCCC, e.g. in the Greenland dialogue, the Asia Pacific Partnership and in the G8. Although most of the vagueness has been resolved in the meantime, and the negotiations now concentrate on a small selection of different approaches, still not all concepts are clear.

Originally, sectoral aspects were considered within the attempt to quantify reduction potentials on a sectoral basis, both within the Dialogue preceding the AWG-LCA and in the first sessions of the AWG-KP. A different sectoral idea was driven by the reference to cooperative sectoral approaches and sector specific action in the Bali Action Plan. Although originally focused clearly on the support for technology transfer, the discussion was taken up by the AWG-KP and incorporated into the negotiations around means available to Annex I parties. Here sectoral aspects appear both under the headings of the “emissions trading and the project-based mechanisms” as well as “approaches targeting sectoral emissions”. Many of the ideas on sectoral approaches within AWG-KP were taken by Parties into the AWG-LCA and were reflected in the first draft of the negotiation text provided in June 2009 in Bonn.

To summarise: The term “sectoral approaches” became very prominent, because it was sufficiently vague to accommodate different views. Discussion has concentrated on the nature and definition of the approaches and has yet to move to design options and details of implementation. The main substance of the sectoral debate has happened outside the UNFCCC.

Looking at the history and comparing the negotiation streams of REDD and sectoral approaches, we identified key factors that have influenced the negotiation streams and should be taken note of in the future negotiations.

Different driving forces – The debate about a sectoral approach is ever driven by Annex I Parties. Their interest in this approach evolved from the discussions how to achieve their targets and from the wish that industries within any sector or country would take their responsibility in enhancing technology transfer. The REDD debate, on the other hand, has been mainly driven by non-Annex I countries. They received some backing by Annex I industry groups, mainly with the intention to contain compliance costs.

Lobby – While various industries are very strongly involved in the sectoral discussions, forest-related industries have been absent in the REDD discussions. Here, rainforest nations and NGOs have been dominant in the last years.

Negotiation structure – Unconnected discussions on both topics have taken place in various bodies, both within the UNFCCC and outside. It has been noted that there are important overlaps that need to be considered. However, there have been no real procedural or structural decisions to facilitate this process.

Progress – The overall progress of sectoral negotiations has been a lot slower than in REDD discussions. The REDD discussions have been substantially boosted by extensive work within the SBSTA. On the other hand, the SBSTA only touched upon the sectoral approaches while discussing technology transfer. Methodological detail regarding sectoral approaches has mainly been provided by external analysis (e.g. from IEA/OECD, World Resource Institute, Center for Clean Air Policy, Ecofys / GtripleC).

3.

COMPARING REDD AND SECTORAL APPROACHES

Although the formal and informal discussions have been largely separated, content-wise there is a significant overlap between REDD and sectoral approaches. However, it can also be noted that even with issues that are similar or identical in nature, there are differences in the focus or in the level of detail of negotiations. In this chapter, we highlight the prominent issues in the general discussion, the main elements that determine different approaches within the REDD and sectoral debate, and areas where the highest potential for synergies can be found.

3.1 PROMINENT ISSUES IN THE DISCUSSION

Table 1 provides an overview of the most prominently discussed issues within the REDD and the sectoral discussion inside and outside the formal UNFCCC setting. The list does not evaluate the issues, but provides an overview of the current discussions. This allows us to identify common elements and differences.

What is most striking is that there is a complete difference in focus between the REDD and sectoral discussions. While a lot of the methodological and institutional questions are very similar in nature, this difference in focus may have some influence on the solutions to be formulated. This is not only a result of the different history within the UNFCCC negotiations, but also relates to experiences in the forest sector with other attempts to reduce deforestation for other reasons, for example

to retain biodiversity. Difficulties encountered in those past attempts and obstacles that specifically pertain to REDD (e.g. land tenure issues and indigenous peoples' rights) aggravate uncertainty around the implementation of REDD. This has led to a far more detailed discussion, trying to limit these uncertainties and giving enough security to Parties to be able to take a decision in Copenhagen.

This is particularly reflected in the debate on environmental integrity. Here permanence of forest is a prominent element in the REDD discussion, while this is not relevant within the sectoral debate. The discussion on issues like measurement, reporting and verification (MRV) is also more prominent in REDD. While there is some scepticism on data availability in developing countries in the sectoral debate, the existence of IPCC guidelines and GHG Protocol methodologies as well as data collection efforts by various industry associations has given a high level of confidence that these problems can be solved. In REDD discussions however, MRV is at the forefront of negotiations and is discussed at a very detailed level.

Early actions including a process of policy design, consultation, testing and evaluation prior to scaled-up REDD implementation (Readiness) and the need for interim finance to enable developing countries to participate in more advanced crediting schemes are also issues heavily discussed within REDD. It seems widely acknowledged that most countries will not be able to participate in complex mechanisms straight away. Solutions to this are discussed within the negotiations and are already implemented and tested in parallel outside the UNFCCC system. The sectoral debate faces the same problem with regard to readiness; it is however not explicitly discussed. The necessary capacity building and setup of institutional structures is treated as something outside the sectoral mechanism rather than an integral part of it.

The supply of and demand for credits that could potentially be generated through market-based mechanisms both from REDD and sectoral mechanisms is a core issue in both debates. However, more attention has been

ISSUES	REDD	SECTORAL
FOCUS	<ul style="list-style-type: none"> → Conserving biological diversity → Involvement of indigenous people → Engaging developing countries → Adequate, predictable and sustainable financial and technical support → Facilitate sustainable development, reduce poverty → Preventing the conversion of natural forests to plantations 	<ul style="list-style-type: none"> → Competitiveness → Cost efficiency → Engaging developing countries → Technology development and diffusion
ENVIRONMENTAL INTEGRITY	<ul style="list-style-type: none"> → Leakage → Additionality → Permanence 	<ul style="list-style-type: none"> → Leakage → Additionality
SUPPORT NEEDS	<ul style="list-style-type: none"> → Up front capacity building → Management, monitoring, transaction costs → Opportunity costs 	Not discussed: Only general discussion, including capacity building and technology support
READINESS	<ul style="list-style-type: none"> → Planning of policies and measures → Initial capacity building → PAM implementation → Scaled up capacity building → Consolidation of PAM implementation → Governance 	Not discussed: Only general discussion, including capacity building and technology support
MRV METHODOLOGIES AND TOOLS	<ul style="list-style-type: none"> → Tiers → Activities → Pools 	Not discussed: Assumed to be functioning similar to Annex I methodologies (IPCC)
SUPPLY AND DEMAND OF CREDITS	<ul style="list-style-type: none"> → Discounting → Dual target 	<ul style="list-style-type: none"> → Discounting → Crediting budget

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Table 1. Prominent issues in the discussion

given to the issue in REDD, linked to the fact that the reduction potentials are significant and may not be permanent. To a lesser extent the magnitude of possible supply of credits and options to deal with this, has also been discussed in the sectoral debate. The solutions discussed under the two topics, however, vary. The co-benefits of credits, i.e. factors that go beyond emissions reduction, are only an issue in REDD.

3.2 ELEMENTS OF THE ARCHITECTURE

Both within the sectoral and the REDD debate, a variety of different design options are discussed. The following table 2 provides an overview of crucial design elements for the architecture of different approaches within the sectoral and the REDD discussion. It does not assess different options, but provides a framework for harmonising the terminology of both discussions.

To give an overview of the status of discussion on the design options in the current negotiations we have included core submissions on REDD and the main sectoral approaches in Annex B. We have categorised these according to the elements and options provided in the table.

Within the architecture of each approach, the *type of commitment* is a central element. In the sectoral area, the discussion revolves around policy-based versus technology or emission-based approaches. Countries would commit to implement a policy (e.g. an efficiency standard), or to implement a certain share of a particular technology (x% of renewable energy) or to keep emissions below a defined level. Only the latter approach has the potential to be part of the carbon market and generate credits, but each of the other options has its own advantages and disadvantages. In REDD the development has advanced to a stage where most players favour a so called ‘phased approach’, which comprises both policy implementation and emissions based mechanisms – following a defined order along the timeline.

ELEMENT	REDD	SECTORAL
METRIC FOR COMMITMENT	Phased → Implement policy → Emission based → Area based [ha] → Carbon stocks	→ Policy based → Technology based → Emission based (absolute/dynamic)
FINANCING: SUPPORT FOR DEVELOPING COUNTRIES	→ Voluntary funding → Market linked → Voluntary funding → Funding pledges → Market linked → Market-offset	→ Voluntary funding → Funding pledges → Voluntary funding → Funding pledges → Carbon market
SCOPE BOUNDARY	→ Deforestation → Degradation → Enhancement (REDD+)	→ Needs to be defined per sector
SCOPE GEOGRAPHICAL BOUNDARY GEOGRAPHICAL	→ Project based → Sub-national → National	→ Projects within a sector → Whole sector
LEGAL STATUS	→ Binding → No lose not possible due to permanence	→ Binding with penalties → Non-binding / no lose
REFERENCE (EMISSION) LEVELS DETERMINATION OF BAU	→ Historical → Historical adjusted → Projected → Tied to global average	Does not apply → Projected
OWN CONTRIBUTION	Not discussed	Not discussed → Crediting baseline below reference - Uniform base - Equal % reduction on BAU - Individual % reduction on BAU → Discounting of credits - Supply - Demand
PERMANENCE	→ Buffers → Risk pooling → Commercial insurance → Temporary crediting → Ton-year accounting → Buffers → Risk pooling → Commercial insurance → Shared liability	Does not apply

Table 2. Design options for the architecture of approaches

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Regarding *funding for support* the discussion in the sectoral area focuses on the carbon market and its implications, while needs for other types of support are referred to the financing negotiations. This is very different in REDD negotiations, where the source of funding is a prominent element of distinction between different approaches. Options include carbon market, voluntary

funds or auctioning revenues which is sometimes called “market linked”. Within REDD, the scale has been given special attention. One proposal is to allow sub-national activities within a national framework until the country is ready to implement an approach on the national scale. This has however not been an issue in the international discussion on sectoral approaches so far.

The discussion on *baselines* is relatively advanced in the sectoral debate. A “business as usual” scenario would be calculated. Emissions could be reduced based on an “own contribution” of the country and by additional actions that are internationally supported through direct funds. This level would be the sector crediting baseline (Figure 5). Actions that drive emissions below this baseline would receive funding through the carbon market. In REDD there is only a limited discussion on the “own contribution”, although it seems to be included implicitly in some cases. The term “reference level” is frequently used, but it could refer to reference emissions or the reference deforestation rate. It could also implicitly include an own contribution. The discussion revolves mainly around how to determine the reference level, with the options of taking historic emissions, adjusted historic emissions or other methods. However, a clarification of terminology could boost the discussion in REDD. Terminology as used under sectoral approaches could be adopted and this way support harmonisation of efforts.

Differences in baseline setting exist in the metric to be used. In REDD they are linked to forest cover and carbon stocks, and in sectoral they are mostly linked to GHG emissions. While for sectoral, absolute emissions as well as intensities are an option, intensities are not an option for REDD. Furthermore, to establish a baseline/reference level based on projections for REDD is problematic. This is why the negotiations are now mainly focusing on (adjusted) historical levels to determine the reference level.

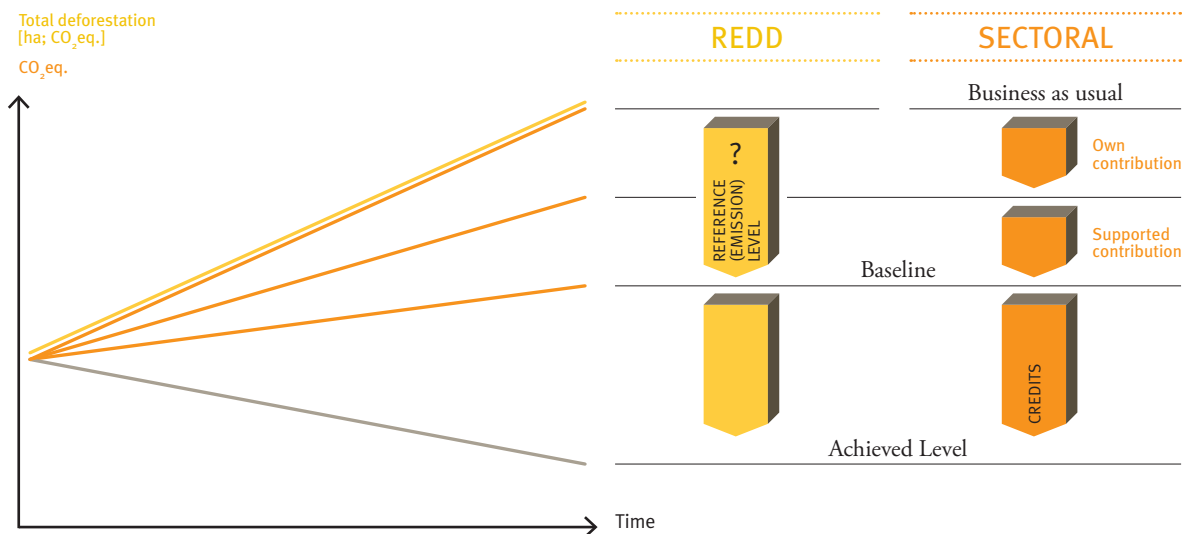
In contrast to sectoral mechanisms, REDD also has elements not just connected to emissions but also to removals. These are discussed under “enhancement” in the REDD+ discussion and are specifically relevant for countries with high afforestation rates. They would need to be considered in the discussion on baselines.

3.3 SIMILARITIES AND DIFFERENCES

The analysis shows that there are more similarities than differences between the two topics (Figure 6). The differences are very sector-specific and relate to the different nature and focus of the emission reduction. Within sectoral approaches, the emission reductions are to a large part achieved by the implementation of industry technology.

Differences In REDD, industry technology is not that relevant. Emission reductions are particularly dependent on the time factor: how permanently will deforestation be avoided?

In the REDD debate ‘co-benefits’ like biodiversity and nature conservation are influential. These issues are linked to other UN conventions like the Convention on Biological Diversity. Also REDD aspects like indigenous peoples and tenure rights are not relevant in the sectoral discussions.



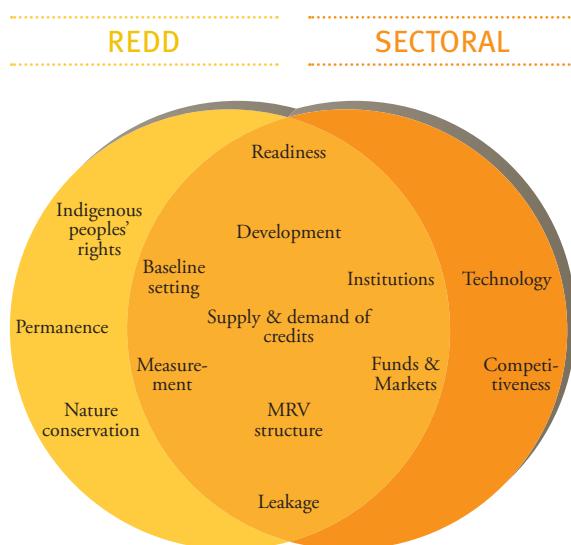


Figure 6.
Similarities and differences © Ecofys 2009

Similarities On the other hand, the REDD and sectoral discussions share many technical topics related to the implementation of the system (see the overlapping area in Figure 6).

Similarities depicted in the overlapping area exist for many topics related to the implementation of the system, like MRV structures or issues around baseline setting and measurement. While the status of the discussion is different for REDD and sectoral on these elements, all elements need to be worked out for both.

Development. The REDD discussion participants widely acknowledge that avoiding deforestation has a direct impact on the development of a country and may affect people's way of living. Of course this also applies to sectoral approaches, because it may influence jobs, personal development of people, different segments of the population and different geographical areas. It also can have substantial influence on the sustainable development of a country, but the importance of this has not been so clear in discussions so far.

Readiness. In both cases countries need to be ready for implementation, but REDD has in general made more progress. One important reason is the wide support by activities organized and financed outside the official UNFCCC system. This allows for testing of ideas and preparing them for implementation. Sectoral approaches also require this type of testing, but this has not been given much attention.

MRV. Both REDD and sectoral approaches need clearly defined modalities for monitoring, reporting and verification (MRV). At this moment the status of this topic in the two platforms is quite different. REDD covers MRV with a relatively high level of detail, due to the complexity of the issue. Large parts of this discussion are taking place within the SBSTA and formal decisions on methodologies are expected shortly. The discussion on sectoral approaches has not yet really reached the level of detail to differentiate between the complexity of different sectors. Major industrial sectors can already build on measurement and data collection experiences and they consider MRV implementation as relatively 'simple'. But for sectors with numerous sources and stakeholders, like transport and buildings, the complexity of MRV is likely to be higher.

Baselines. The concept of baselines and reference levels is very similar for market-based REDD and sectoral approaches. Their determination is complex, they can be different for each country and they are politically sensitive. They also require extensive capacity from governments, both for setting the baseline and in designing the policies to achieve and surpass the baseline.

Credits. The supply and demand of credits and the possibility to serve Annex I targets is a topic that is extremely relevant for the overall integrity of the system. So far it has been discussed under REDD but very scarcely in the sectoral debate. It is however relevant for business sectors because of a high potential for the creation of credits, like for example power generation, transport or buildings.

Institutions. Institutions are needed by both systems for decision-making, financing, MRV, et cetera. Discussions are starting in both platforms, with a large potential for synergies and avoiding unhelpful differences and conflicts.

Financing. Regarding REDD, financing discussions take place around funding versus market-based systems. Both systems have their pros and cons, depending on the objective. Market-based funding is regarded as an option if the environmental integrity can be ensured. A fund-based approach supports quick implementation and leaves room to integrate criteria for development and nature conservation. The so-called 'phased' approach reflects these issues and takes the benefits of both systems into account. First countries implement policies supported by funds and after that funding will be based on an emission baseline. On the sectoral platform no discussion on funding has been raised yet.

4. APPROVAL PROCESSES FOR A BASELINE OR FUNDING OF AN ACTION

Discussions around REDD and sectoral approaches increasingly revolve around the necessary institutional structures and processes. This includes structures and processes for the proposal by a Party to implement an action and for the approval of the international community for funding or the setting of a baseline, as well as the subsequent implementation and monitoring. The first steps of preparing a country proposal and the approval under the UNFCCC are essential to kick-off implementation and the design of these processes has impacts on the required institutional infrastructure.

4.1 DEFINITION

Figure 7 provides an overview of the process for approval of a sectoral baseline or funding for a developing country action. It provides the timeline of the approval on UNFCCC level of one specific action, which applies for any NAMA, including sectoral actions and REDD. After an initial readiness phase, a country can make a proposal. This proposal is approved under the UNFCCC for funding. This approval is the focus of this chapter. After approval a country has then to get ready for the implementation and finally for the monitoring and verification. There may be other approvals linked to the overall process, which are not the focus of this report, for example regarding the funding for readiness within the different phases.

The approval for funding is particularly important, because it involves decisions on how to differentiate between actions, sectors and countries. A general differentiation between developing countries has always been a difficult issue and could not so far be solved. Therefore, the difficult decision on differentiation is not resolved, but moved to the approval for funding of a NAMA as discussed in this chapter.

Funds for readiness may, as is the case today for REDD, come from other sources, like the World Bank. Some of the relevant approval processes may therefore also happen outside the UNFCCC system. Similarly, emission baselines could also be agreed within other systems, for example through bilateral systems (like a US Emission Trading System, ETS). The consequences of this need to be considered carefully within the UNFCCC.

Although the content of the approval decision may vary substantially between REDD and sectoral approaches and between a proposal for funded action and a baseline proposal, the process and the underlying political decision is essentially the same. It is about the size of resources that can be mobilized for a mitigation action.

4.2 EXISTING PROPOSALS

There is little discussion yet on the details of the process to approve funding for an action or a baseline for a sector. Two proposals include this as one element within the wider framework, one by the EU and one by the NGO community. Both envisage a consistent process for all NAMAs, including sectoral approaches and REDD. The EU focuses mainly on necessary functions which need to be covered and 'low carbon development strategies'. The NGOs already embed their process proposal in an institutional framework. Within the REDD discussion there is at the moment no concrete proposal regarding the approval process on the table. The 'Institutional Options Assessment' for REDD by the Meridian Institute has started to explore this as an issue.

EU proposal A comprehensive strategy for low carbon development forms the basis of the EU proposal. All developing country actions are embedded in this strategy, including the corresponding support needs. Key to the evaluation and approval of the proposed actions is a facilitative mechanism that is supported by technical panels. This mechanism conducts both a technical assessment of the actions and the matching of action with support. Subsequently the approved actions and the designated support would be included in a registry, potentially also including non-supported action as a way to give recognition to developing countries' own contributions.

NGO proposal – Copenhagen Treaty: Version 1.0 In line with the proposed legal structure for the post-Kyoto agreement NGOs envisage a central 'Copenhagen Climate Facility' with decentralised in-country coordination and facilitation agencies. The central mechanism would also be supported by technical panels and decisions are to be taken in 4 'boards' - mitigation, adaptation, REDD, technology. Decisions on general procedures, guidelines, policies and priorities is provided by an Executive Committee, while a Carbon Market Regulatory Authority sets and monitors standards and guidelines related to crediting actions. In addition to developing country strategies, here called 'low carbon action plans', developed countries need to provide a long term vision in 'zero carbon action plans'.

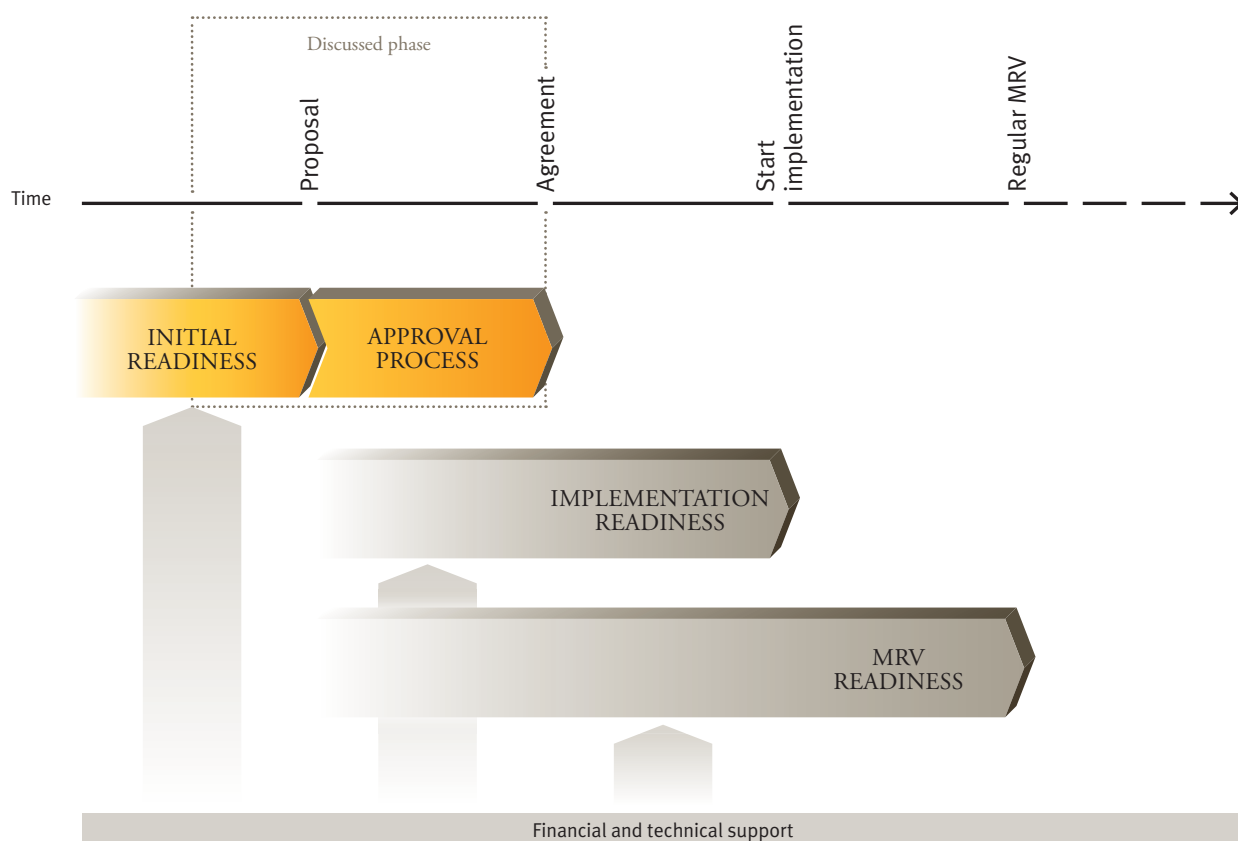


Figure 7. Approval for funding/baseline of a developing country action

The approval process is embedded in these institutions and starts with the preparation of the proposal, facilitated by the in-country coordinating mechanism. This is then submitted to the Climate Facility and underpinning assumptions are assessed. The decision is taken by the REDD or mitigation board in the case of supported NAMAs, and by the Carbon Market Regulatory Agency in case of credited action (i.e. baselines).

4.3 KEY FINDINGS

To allow for flexible actions that are coherent with national circumstances and sustainable development goals, a consistent process at UNFCCC level is needed. There seems to be consensus that individual proposals for action will need to be developed after Copenhagen.

The agreement needs to set the frame for the process of recognition and support of these actions. The general steps of such a process are widely accepted, but not yet clearly identified and agreed. While discussions often start around the institutional setup, we argue that the process with its functions needs to be defined first. Once there is agreement on the necessary steps, the appropriate entities can be identified or created and the required tools developed.

Approval for funding of developing country actions is a critical element of a future climate agreement, but little detail on this process is in the current negotiation texts. It is essentially a political decision and we would argue that it should be labelled as such.

We list minimum steps and conditions that have to be fulfilled for the process to work. This applies to all NAMAs, including sectoral and REDD:

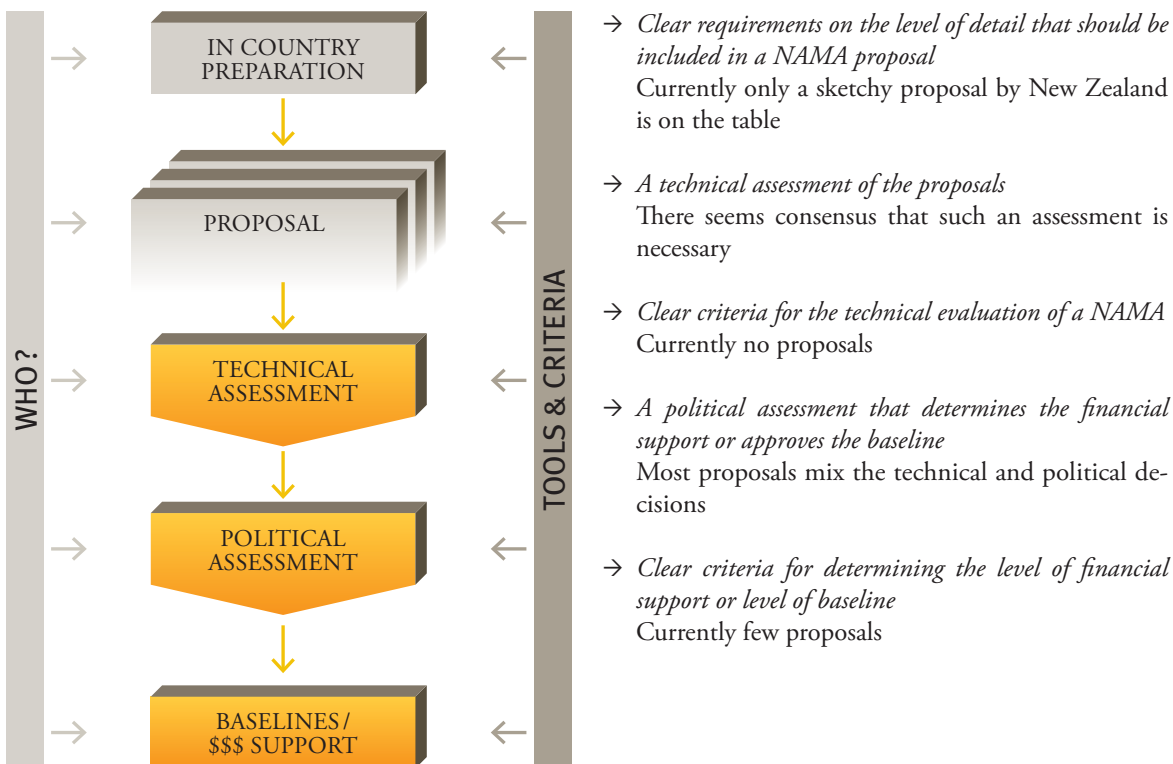


Figure 8:
Approval process

5. RECOMMENDATIONS

Synergies can be used to the benefit of the individual discussion and some issues could benefit from joint solutions for REDD and sectoral approaches. All of these need priority attention. We aim here to provide pragmatic, simple and easy to implement ways to advance the ongoing discussions. The focus is to provide guidance for decisions to be taken in Copenhagen, but also highlight immediate actions needed after an agreement is reached.

5.1 IMPROVE COMMUNICATION

Communication is a prerequisite for synergy, but information flows are now hindered for several reasons. The complexity often requires full attention on one topic; only few people follow all processes. Discussions on details prevent a full overview. In addition the terminology of REDD and sectoral discussions often differs. With the separated discussions there is little ownership for the process as a whole.

Recommendation Experts from both platforms need to engage to exchange information. The ‘exchange’ of delegates is suggested, besides joint sessions or workshops to raise awareness and stimulate discussion on a specific shared subject.

Following the REDD web-platform (powered by UNFCCC) a similar or even joint website for sectoral discussions will support information exchange. Joining the negotiation streams of REDD and sectoral mechanisms could reduce the communication barrier, but is not feasible because of strong political resistance and substantial technical problems.

.....
Exchange delegates
Joint workshops
(Joint) REDD / sectoral UNFCCC website

not feasible because of strong political resistance and substantial technical problems.

5.2 TRANSPOSE AGREEMENTS FROM ONE TOPIC FOR THE OTHER

Overlapping areas are often more advanced in REDD or sometimes in the sectoral debate. Until now, synergies are not drawn out within the negotiations.

Recommendation Particularly in the so-called ‘phased’ approach of financing and in ‘readiness’, the sectoral platform could learn lessons from REDD. In the phased approach countries first implement policies (supported by funds) and with advanced readiness implement an approach which allocates funding based on an emission baseline. In REDD learning activities are carried out through funding to support early action. A similar system can be used for ensuring readiness for sectoral.

.....
‘Phased approach’ for sectoral approaches
Clarification of terminology on reference (emissions) level for REDD
Clarification of ‘own contribution’ in REDD

 A key area where REDD can benefit from the advanced discussion in sectoral approaches is the discussion on “own contribution” which is linked to setting the reference emission level. Both issues are still under discussion in REDD and can benefit from streamlined terminology and experience in the sectoral debate, including the use of methodological tools such as proposal templates.

5.3 SUPPORTING THE READINESS FOR SECTORAL APPROACHES AND REDD EQUALLY

The REDD debate fully acknowledges the need for capacity building and the establishment of national institutions and processes. This awareness is still missing in the sectoral debate. However, both negotiation streams still have a long way to go before a system is fully operational, including incentives for early action and for private sector involvement. Improving the ‘readiness’ requires the right kind of support, coordination and access to support. Interim finance for learning and pilot activities is therefore essential for advancing towards the

implementation of sectoral crediting. The coordination of different support activities requires special attention. Past experiences in other areas, like development aid, have shown that uncoordinated activities should be avoided. In REDD this is already becoming an issue. In addition the scale of funds for both REDD and especially sectoral approaches is still too low. To ensure quick results it is essential to limit administrative hurdles to obtain the required support.

Recommendation The support requirements to enable developing countries to participate in a sectoral approach are essentially the same in nature, although not in scale, as for REDD. Substantial, large scale readiness efforts are required as soon as possible. This includes testing in theory, providing significant financial support for pilot activities, maybe focusing on a selection of sectors first. Activities in REDD also need to be extended. The key to success is the provision of a substantial amount of funding that is accessible with as little administrative effort as possible.

5.4 ENSURE BALANCED SUPPLY AND DEMAND OF CREDITS

Credits from market-based REDD and sectoral approaches would have a significant effect on the carbon market. Annex I targets would have to be more stringent on the amount of credits allowed from REDD and sectoral approaches, safeguarding their carbon market balance and providing the desired price signal. Credits from REDD and sectoral approaches could also compete. A realistic estimate of the amount of credits from REDD and sectoral approaches is unlikely to be available at the time Annex I targets are agreed. This puts the environmental integrity of the overall post-2012 climate agreement to the test.

Recommendation Others have suggested different solutions to this problem, such as dual targets or maximum budgets

-
- Set stringent Annex I targets*
- Determine allowed mechanisms*
- Agree order of magnitude for the supply side*
-

from REDD and sectors. These suggestions each have their pros and cons. We conclude that the minimum requirement for a Copenhagen agreement is to set stringent Annex I targets on the demand side. Also the most important elements of REDD and sectoral approaches have to be determined, providing at least the order of magnitude on the supply side. This avoids the need for targets to be re-negotiated at a later stage, as happened to LULUCF rules under the Kyoto Protocol.

5.5 STREAMLINE DISCUSSION ON PROCESS TO APPROVE FUNDING FOR DEVELOPING COUNTRY ACTION

Discussions on the process for approving funding or baselines for developing country actions have not been advanced, neither in REDD nor in sectoral discussions. The approval is a prerequisite for the system to be functional and could become a bottleneck if not addressed at an early stage. Special attention needs to be paid to possibly colliding schemes with their own approval processes, for example in bilateral agreements.

There is a wide consensus that the appropriate institutions need to be established soon to kick-start the necessary actions in developing countries, even before a Copenhagen agreement enters into force. Which transitional tools and institutions are needed?

Recommendation It is essential to agree on a common process, defining the individual steps of the approval for funding or setting of baselines in Copenhagen. This must be accompanied by a set of criteria on how to evaluate the proposals in the future.

The general process and principles are shared by REDD and sectoral actions, while the criteria could allow for variations. An agreement could be accelerated if one of the discussion streams gets the mandate to work out a proposal. A joint workshop will then discuss and finalise details.

To allow for early action in the transition time, we recommend starting with the development of basic interim tools based on the agreed criteria and refining them later. Implementation and facilitation of the interim tools should build as much as possible on appropriate, existing institutions.

-
- Agree on common process*
- Define criteria for evaluation*
- Definition of interim tools for fast implementation*
-

APPENDIX A. HISTORY OF NEGOTIATION STREAMS

Appendix A.1 and A.2 provide further detail to the negotiation streams described in chapter 2.3.

A.1 REDD

At the COP11/CMP1 in Montreal REDD was on the agenda for the first time following a submission from Costa Rica and Papua New Guinea. The discussions on REDD have since been taking place in different bodies under the Convention and are referred to in the negotiations under the Kyoto Protocol. In this section, we identify those negotiation streams under the UNFCCC that deal with issues relevant to REDD as an element of a future climate regime.

SBSTA Following the submission by Costa Rica and Papua New Guinea¹, the COP11/CMP1 requested the SBSTA to put the issue on its agenda with the focus on two main areas:

- a) Scientific, socio-economic, technical, and methodological issues, including the role of forests, in particular tropical forests, in the global carbon cycle; definitional issues, including those relating to links between deforestation and degradation; data availability and quality; scale; rates and drivers of defor-

estation; estimation of changes in carbon stocks and forest cover and related uncertainties

- b) Policy approaches and positive incentives to reduce emissions from deforestation in developing countries, including causes; short- and long-term effectiveness with respect to emission reductions; the displacement of emissions; bilateral and multilateral cooperation; activities of other relevant international bodies; enhancing sustainable forest management; capacity-building; and financial mechanisms and other alternatives basing discussions on experiences and lessons learned

Between SBSTA meetings 24 and 27 the above mentioned areas a) and b) were discussed under the SBSTA and two workshops² were held on specific topics under these points. Based on the results, a draft decision³ “Reducing emissions from deforestation in developing countries: approaches to stimulate action” was proposed to COP13.

SBSTA and AWG-LCA The COP13 adopted the Bali Action Plan⁴ and the decision 2/CP.13⁵ and requested the SBSTA to undertake a programme of work on methodological issues related to a range of policy approaches and positive incentives for reducing emissions from deforestation and forest degradation in developing countries.

At this point the discussion of REDD was continued in the AWG-LCA and the SBSTA, both mandated by the COP. However the topics discussed at the SBSTA focused on part a) Scientific, socio-economic, technical, and methodological issues, and the AWG-LCA concentrated on part b) Policy approaches and positive incentives. The AWG-LCA emphasized building on the work undertaken by the SBSTA and avoiding duplications. The main negotiation track was from that point under the AWG-LCA and the SBSTA work on methodological issues was fed into this process.

¹ FCCC/CP/2005/Misc.1

² http://unfccc.int/methods_and_science/lulucf/items/3745.php & http://unfccc.int/methods_and_science/lulucf/items/3896.php

³ FCCC/SBSTA/2007/L.23/Add.1/Rev.1

⁴ decision 1/CP.13

⁵ decision 2/CP.13

Overview of topics discussed under AWG-LCA and SBSTA The AWG-LCA 3⁶ includes the following policy topics:

- Further discussions on how issues relating to reducing emissions from deforestation and forest degradation, conservation and enhancement of forest carbon stocks should be addressed when designing policy approaches and positive incentives for developing countries to take mitigation actions in the forest sector;
- Exploring the use of non-market financial resources and market-based mechanisms as policy approaches and positive incentives, including the assessment of the implications of the different options proposed;
- Assessing implications of different options to address issues relating to permanence, additionality and displacement of emissions.

The SBSTA 28⁷ includes the following methodological issues:

- Estimation and monitoring
- Reference emissions levels
- Displacement of emissions
- National and sub-national approaches
- Capacity-building
- Effectiveness of actions
- Cross-cutting issues
- Means to address non-permanence
- Comparability and transparency in assessment of carbon stocks of diverse ecosystems
- Financial implications for implementing methodological approaches
- Institutional requirements for implementing methodological approaches
- Any implications of methodological approaches for indigenous people and local communities
- Implications for the promotion of co-benefits taking note of the aims and objectives of other relevant international conventions and agreements
- Implications of methods to verify estimates of emission reductions and enhancement of removals and changes in forest cover
- Implications of different definitions of forest and relevant forest-related activities on assessment of emission reductions and enhancement of removals and changes in forest cover

- Means to deal with uncertainties in estimates aiming to ensure that reductions in emissions or increases in removals are not over-estimated, including those existing in removals are not over-estimated, including those existing in IPCC guidance.

The SBSTA 30⁸ includes the following methodological issues:

- Costs of implementing methodologies and monitoring systems relating to estimates of emissions
- Issues relating to indigenous peoples and local communities for the development and application of methodologies
- Research and capacity-building needs for monitoring and establishing reference emission levels.

AWG-LCA in relation to REDD and NAMAs The topics of NAMAs and REDD were discussed separately within the AWG-LCA until AWG-LCA-5 when many Parties expressed interest in discussing REDD in the context of NAMAs of developing country Parties. This position is reflected in the document prepared by the chair of the AWG-LCA “Fulfilment of the Bali Action Plan and components of agreed outcome” in which the REDD topics were merged into the corresponding sections of the other chapters. However in the negotiation text⁹ prepared by the Chair for AWG-LCA 6.1, REDD is discussed in a separate chapter again¹⁰. It remains open how this will be solved.

AWG-KP Reference to reducing emissions from deforestation and developing countries was also made under the AWG-KP under the subheading of 1) Emission trading and project-based mechanisms under CDM. This is reflected in the AWG-KP text Add.3¹¹.

The following options are included:

- Proposal for new article: reducing emissions from deforestation and forest degradation in developing countries
- Suggestion to limit eligibility of land use, land-use change and forestry activities under the clean development mechanism to:
- Afforestation and reforestation, as defined in decision 16/CMP.1
- Reducing emissions from deforestation and forest degradation

⁶ FCCC/AWG/LCA/2008/6

⁷ FCCC/SBSTA/2008/6

⁸ FCCC/SBSTA/2009/3

⁹ FCCC/AWG/LCA/2009/8

¹⁰ III. Mitigation C. Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

¹¹ FCCC/KP/AWG/2009/10 Add.3 draft decisions covering issues identified in 49 c

LULUCF Under the AWG-KP there is a separate discussion stream under means to reach emission reduction targets and identification of ways to enhance their effectiveness and contribution to sustainable development¹²:
 b) Land use, land-use change and forestry. While the LULUCF discussion is separate from the REDD+ discussions there are overlaps on the methodological side. Similar issues to the REDD discussion raised by the parties in the document “Elaboration on how to address the definitions, modalities, rules and guidelines for LULUCF¹³” include:

- *Definitions*
- *Forest management*
- *Ensuring environmental integrity*
- *Including harvested wood products*
- *Non-permanence*
- *Land use flexibility*
- *Treatment of harvest*
- *Natural disturbance*
- *Harvested wood products*
- *Complexity of the reporting.*

A.2

SECTORAL APPROACHES

AWG-KP The terminology of ‘sectoral approaches’ first emerged around attempts to quantify possible reduction potentials of sectoral emissions. This discussion was held both in the AWG-KP, as early as the second session in Nairobi in 2006, as well as in the Dialogue preceding the AWG-LCA. Under the Kyoto track, a discussion on means available to Annex I Parties to reach their emission reduction targets started in Bangkok in 2008 (AWG-KP 5.1 workshop 1-3 April) and with the Roundtable in Bonn (AWG-KP 5.2, June 2008). Within the discussion on ‘means’¹⁴, sectoral aspects appeared below two subheadings which were identified for further consideration by AWG-KP:

- *Possible improvements to emission trading and project-based mechanisms*
- *Approaches targeting sectoral emissions as a means to achieve Annex I targets*

In the following discussions within the AWG-KP on the second heading it was noted¹⁵ that:

“Sectoral approaches could be used by Annex I Parties as a means to reach, but not replace, their emission reduction targets.”

Furthermore, the following types of sectoral approaches were identified:

- *Bottom-up sectoral analysis to inform the discussion on mitigation potentials of Annex I Parties;*
- *Cooperative sectoral approaches supported and enabled by finance and technology;*
- *Sectoral crediting in non-Annex I Parties;*
- *Complementary sector-specific goals for Annex I Parties.*

While some participants of AWG-KP noted the need for a broader consideration of this issue by the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, others participants suggested that the AWG-KP should look at specific aspects of such approaches.

Reference to sectoral approaches was also made under the sub-heading ‘emission trading and project-based mechanisms’ which includes the following sectoral approaches¹⁶:

- *Under CDM: crediting on the basis of NAMAs, sectoral crediting and standardisation of baselines¹⁷*
- *Under emission trading: emission trading based on sectoral targets and NAMAs*

Subsequently (AWG-KP 6), the attempt was to group the options mentioned into those needing an amendment to the Kyoto Protocol and those that do not. AWG-KP 7 requested the Chair to prepare a text¹⁸ for the next session. This text includes a compilation of proposals of which the following have relevance for sectoral approaches: NAMA crediting, sectoral crediting (sometimes called: ‘absolute sectoral emission thresholds’). Furthermore, changes to the CDM, like benchmarks for baseline setting, are mentioned.

¹² see FCCC/KP/AWG/2008/2

¹³ FCCC/KP/AWG/2009/Inf.1

¹⁴ see FCCC/KP/AWG/2008/2 (21)

¹⁵ see FCCC/KP/AWG/2008/3 (V.3)

¹⁶ See FCCC/KP/AWG/2009/4

¹⁷ The section includes ‘Possible improvements to emissions trading and the project-based mechanisms under the Kyoto Protocol for the period after 2012 with potentially significant implications for the ability of Annex I Parties to achieve mitigation objectives (FCCC/KP/AWG/2009/5)’. Further issues mentioned here

¹⁸ FCCC/KP/AWG/2009/8

The AWG-KP text coming out of AWG-KP 8 in Bonn (June 2009) can be found in four documents¹⁹. Relevant sectoral aspects are included in two of them²⁰:

- Add.1 covering other amendments to the Kyoto Protocol, and
- Add.3 draft decisions covering issues identified in 49 c).

Relevant sectoral aspects in the texts are: sectoral (no-lose) crediting, and NAMA crediting. Furthermore, text options for encouraging the development of standardized, multi-project baselines under the CDM are included along-side a whole range of other changes to the CDM and JI, like for example the inclusion of CCS.

AWG-LCA For AWG-LCA 6.1 in Bonn (June 2009), the Chair prepared a first negotiating text²¹ based on proposals and ideas by Parties brought forward within the earlier sessions of the AWG-LCA (and which are included in a previous version of the text²² and submissions received from the end of AWG-LCA, 5 March 2009 until 5 May 2009).

Two parts of the text have special relevance to the issue of sectoral approaches:

- *III. Mitigation*
- *IV. Financing, technology and capacity building.*

Within the mitigation block, especially the following three sections are relevant for sectoral approaches:

- *NAMAs (including 73. (e) sectoral targets, sector-based actions and standards and no-lose sectoral crediting)*
- *Cooperative sectoral approaches and sector-specific actions*
- *Approaches to enhance cost-effectiveness of, and to promote, mitigation actions (including NAMA crediting, sectoral crediting, and sectoral trading).*

The revised negotiating text²³ coming out of the Bonn AWG-LCA 6 meeting was amended to an almost 200 page document as Parties included their own proposals and wordings into the text. However, the text already includes some proposals for structural changes which are supposed to streamline negotiations on the different issues. Proposals include for example merging the issue of 'D. Cooperative sectoral approaches and sector-specific actions' within the section of B.1. on NAMAs, and creating a separate section for bunker fuels.

Technology transfer The SBSTA has long been dealing with technology transfer. A whole range of issues discussed under this heading has been included under the above mentioned part IV. Financing, technology and capacity building are in the AWG-LCA text. While being an important negotiation stream within the UN-FCCC, issues covered under technology transfer represent aspects to be considered when implementing sectoral approaches (e.g. processes and institutions could be integrated).

¹⁹ FCCC/KP/AWG/2009/10 and Add. 1 to 4

²⁰ FCCC/KP/AWG/2009/10/Add. 2 and Add. 3

²¹ FCCC/AWGLCA/2009/8

²² FCCC/AWGLCA/2008/16/Rev.1

²³ FCCC/AWGLCA/2009/INF.1

APPENDIX B. DESIGN OPTIONS

A selection of submissions²⁴ from Parties to the UNFCCC and the NGO approach on REDD have been analysed for their position on the design options. It needs to be noted that while we have used the latest submissions of Parties, positions may have developed further and the table may not reflect the current state of discussion.

Appendix B provides an analysis of current proposals in relation to the design options described in chapter 3.

ELEMENT	COALITION OF RAINFOREST NATIONS	EU	NGO APPROACH	NORWAY	US
METRIC FOR COMMITMENT	Phased	Phased	Phased	Phased	Phased
	→ Implement policy → Emission based	→ Implement policy → Emission based	→ Implement policy → Emission based	→ Implement policy → Emission based	→ Implement policy → Emission based
FINANCING: SUPPORT FOR DEVELOPING COUNTRIES	→ Voluntary funding → Market linked → Market-offset	→ Voluntary funding → Market linked	→ Voluntary funding → Market linked	→ Funding pledges → Market linked	→ Voluntary funding → Market linked → Market-offset
SCOPE	→ Deforestation → Degradation → Enhancement (REDD+)	→ Deforestation → Degradation	→ Deforestation → Degradation → Enhancement (REDD+)	→ Deforestation → Degradation → Enhancement (REDD+)	→ Deforestation → Degradation → Enhancement (REDD+)
SCOPE GEOGRAPHICAL	→ Project based → Sub-national → National	→ National	→ Sub-national → National	→ National	→ National
LEGAL STATUS					
REFERENCE (EMISSION) LEVELS	→ Historical adjusted	→ Historical adjusted	→ Historical adjusted	→ Historical adjusted	→ Historical adjusted
OWN CONTRIBUTION	Not discussed in official submission	Not discussed in official submission	Not discussed in official submission	Not discussed in official submission	→ Include self finance actions
PERMANENCE	→ Buffers		→ Commercial insurance → Buffers → Risk pooling	→ Buffers	→ Buffers

Table 3. Discussed design options for REDD

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²⁴ A. Meyer, Ballesteros, A., Hare, B., and Maltos Scaramuzza, C. A. d. (2009). A Copenhagen Climate Treaty. Version 1.0. The NGO community. Parker, Mitchell, Trivedi, and Mardas. (2009). The little REDD book. Submission by France on behalf of the European Community and its Member States. (2008). EU submission on reducing emissions from deforestation, degradation and the role of conservation, sustainable management of forest and enhancement of forest carbon stock in the context of the AWG-LCA and the SBSTA. UNFCCC FCCC/AWGLCA/2008/MISC.4. / UNFCCC FCCC/AWGLCA/2008/MISC.5/Add.2 (Part 1). / UNFCCC FCCC/AWGLCA/MISC.4/Add.1-Add.4. / UNFCCC FCCC/AWGLCA/2009/MISC.4 (Part 1) and (Part 2)

Sectoral approaches can be either policy-based, technology-based or emission-based. Policies and measures which are not directly linked to the carbon market (policy-based and technology-based) could be considered Sustainable Development Policies and Measures

(SD-PAMs). The table only includes sector no-lose targets as one of the options for the emission-based sectoral approaches. Further emission-based approaches could be e.g. absolute and binding as well (sectoral trading).

ELEMENT	SD-PAMS	TECHNOLOGY STANDARDS	SECTOR NO-LOSE TARGETS
METRIC FOR COMMITMENT	→ Policy based	→ Technology based	→ Emission based (dynamic)
FINANCING: SUPPORT FOR DEVELOPING COUNTRIES	→ International funds UNFCCC → ODA / intergov't support	→ International funds UNFCCC → ODA / intergov't support	→ Carbon market → International funds UNFCCC → ODA / intergov't support
BOUNDARY	→ No issue	→ No issue	→ Need to be defined per sector
BOUNDARY GEOGRAPHICAL	→ Whole sector	→ Technologies within a sector	→ Whole sector
LEGAL STATUS	→ Non-binding/no lose	→ Non-binding/no lose	→ Non-binding/no lose
DETERMINATION OF BAU	Does not apply	Does not apply	→ Projected
OWN CONTRIBUTION	Not discussed	Not discussed	→ Crediting baseline below reference – Individual % reduction on BAU
PERMANENCE	Does not apply	Does not apply	Does not apply

Table 4: Design options for sectoral approaches

APPENDIX C. ABBREVIATIONS

AI	Annex-I
ANNEX I	Industrialized countries under UNFCCC signatories
AWG-KP	Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol
AWG-LCA	Ad Hoc Working Group on Long-term Cooperative Action under the Convention
BAP	Biodiversity Action Plan
BAU	Business as Usual (scenario)
CCAP	Centre for Clean Air Policy
CDM	Clean Development Mechanism
CMP	Conference of the Parties serving as the Meeting of the Parties
CO ₂ E	Carbon Dioxide equivalents
COP	Conference of the Parties
ET	Emission Trading
ETS	Emission Trading System
EU	European Union
EU ETS	European Union Emission Trading Scheme
FCCC	Framework Convention on Climate Change
FCPF	Forest Carbon Partnership Facilities
FIP	Forest Investment Program
G8	Group of Eight, international forum for eight industrialized nations

GDP	Gross Domestic Product
GT	Gigatonne
IEA	International Energy Agency
IWGIFR	Informal working group on interim finance for REDD
JI	Joint Implementation
LUCF	Land Use Change & Forestry
LULUCF	Land Use, Land-Use Change & Forestry
MRV	Measurable, Reportable, Verifiable (of carbon emissions reductions)
NAI	Non-Annex-I
NAMAS	Nationally Appropriate Mitigation Actions
NGO	Non Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PAM	Policies and measures
REDD	Reduced Emissions from Deforestation and Forest Degradation
REDD+	Reducing emissions from deforestation and degradation, enhancement of stocks, sustainable forest management and conservation
SBSTA	Subsidiary Body for Scientific and Technological Advice
UNFCCC	United Nations Framework Convention on Climate Change
UN-REDD	United Nations Collaborative Programme Program on Reducing Emissions from Deforestation Degradation in Developing Countries
US	United States of America
WRI	World Resources Institute

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All relevant official UNFCCC texts used in this document are available from the UNFCCC website.



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