



**International Commission on Land Use Change and Ecosystems  
Forest Policy Proposals  
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Tropical forests continue to be lost and degraded at a rapid pace, accounting for 18 to 25% of annual global greenhouse gas (GHG) emissions. Reducing deforestation is necessary for preventing dangerous levels of climate change and offers a price-efficient option with co-benefits outside of climate change, including biodiversity conservation and livelihood protection. The forestry and land use sector offers eight gigatonnes (Gt) of abatement potential by 2020, almost half of the global effort that is required to reach a 450 parts per million (ppm) carbon dioxide equivalent (CO<sub>2</sub>e) trajectory. Therefore, the mitigation of terrestrial carbon emissions should be a central and immediate component of the global GHG abatement strategy and be coordinated with significant industrial emission reductions.

However, efforts to reduce deforestation will be undermined if new climate change policy is not accompanied by global action to tackle illegal logging and to address the demand side drivers of deforestation. Therefore, a broad policy package should be adopted that reforms the forestry sector and establishes a solid foundation for the introduction of forests to the future climate change agreement.

New climate change policy offers an opportunity to restructure the underlying economics of forestry by valuing the carbon sequestration services of forests. Immediate action is necessary and finance should be made available for the necessary capacity building and to commence performance-based reward schemes where appropriate. A forest carbon funding mechanism should then be included in a post-2012 agreement that rewards forested developing countries for reducing their deforestation rates against a reference level and promotes the enhancement of forest stock. This mechanism should transition towards a system that provides long-term incentives to forest nations to reach net zero deforestation rates. Each of these phases should be accompanied by stringent environmental and social safeguards.

This paper seeks to identify the measures required for national governments, through regulation and legislation (part A), and at the international policy level (part B) that should be adopted to successfully reduce deforestation, a critical component of preventing dangerous levels of climate change:

- A. Address Illegal Logging and Demand-Side Drivers:** Voluntary bilateral timber licensing regimes and legislation in consumer countries, such as the United States' Amendment to the Lacey Act, have been welcome interventions that could be replicated across the major economies. Equally, the demand side drivers of deforestation need to be addressed by promoting sustainable agriculture, improving its productivity and providing support to supplier nations to reform governance, where necessary.
- B. Include Forests and Terrestrial Carbon in Climate Change Policy:**
- **Provide Finance for Immediate Action:** Establishing a forest carbon mechanism within the UNFCCC or emissions trading schemes will take a number of years. Interim finance of at least \$4 billion per year should be made available over the 2010-15 period for results based incentives and capability building. Efforts on this scale could result in a 25% reduction in annual global deforestation rates by 2015. This finance should also reward conservation activities in high forest cover, low deforestation nations to prevent international leakage.
  - **Include Terrestrial Carbon in Post-2012 Climate Change Policy:** Early and dramatic reductions in deforestation rates should be incentivised by creating a performance-based mechanism for forest and terrestrial carbon in post-2012 climate change policy. This mechanism should be accompanied by stringent environmental and social safeguards, incentivise private sector participation and target national level reference levels in a phased and flexible manner.
  - **Commit to a Payment for Ecosystem Services Approach:** In order to achieve net zero deforestation levels, a funding mechanism should be established that provides forested developing countries with long term certainty of the benefits of avoided deforestation. This "Stabilization Fund" should persuade countries that there are better financial rewards to be gained from ongoing payments for forest ecosystem services (starting with carbon sequestration but expanding to include others) and create long-term financial incentives that encourage all forest nations to reach a stable or increasing level of forest.



## **A. Measures to Address Illegal Logging and Demand-side Drivers of Deforestation:**

- 1. Introduction of a Common System for Recognising Source Countries Licensing Schemes:** Consumer countries should take the lead in establishing the legality of their own timber imports by introducing a common system for recognising source countries licensing schemes for legal timber, encompassing all major timber source and consumer countries. To achieve this, the following steps should be taken:
  - Develop a system that recognises and respects the laws of each producer country.
  - Clearly define the scope of rights and obligations such as ownership, customary usage, authorised forest management, permitted species, export and customs regulations and taxation in each source country.
  - Establish a system of verification that ensures compliance with the laws of the relevant source country.
- 2. Domestic Legislation within Consumer Countries:** Consumer countries should reinforce the legislation passed by producer countries by excluding illegal timber products from consumer markets. To achieve this, consumer countries should examine the introduction of simple and specific domestic legislation, such as the amendment to the Lacey Act, making the import of timber produced illegally, according to the laws of foreign source countries, an offence in the consumer country.
- 3. Markets for Legal and Sustainable Timber:** Building protected markets for legal and sustainable timber products is essential. The following market-oriented steps should be taken by governments:
  - Make mandatory requirements within public procurement policies to require legal and sustainable timber for all government contracts, and immediately move to harmonisation of technical specifications and their implementation and enforcement.
  - Use government building standards to promote the use of legal and sustainable building materials incorporating clear requirements for legal and sustainable timber.
  - Adopt standards of legality verification.
  - Adopt criteria for certification of sustainable forest management.
  - Governments should have primary responsibility to assess which legality verification systems and sustainability certification systems should be used for the above.
- 4. Governance – Forest Sector Transparency:** The G8 should support the introduction of a global Forest Transparency Initiative (FTI). This should be developed with International Finance Institutions and pilot tested at a country level. It should be designed to establish parliamentary oversight in producer and consumer countries to improve accountability and governance of national forest resources.
- 5. Finance for Sustainable Forest Management:** Long-term investment in the tropical forestry sector needs to be stimulated in order to incentivise the transition of progressive timber companies to forest management companies. The G8 should direct official development assistance to producer countries to support:
  - Capacity building that allows forest management enterprises to implement credible, certified sustainable forest management activities and transition existing sustainable forest management operations from namely timber producers to multiple-revenue (goods- and services-based) forest management operations.
  - The development of sustainable ‘value-adding’ timber processing capacity within the producer country rather than simply exporting raw timber.
- 6. Sustainable Agriculture:** Governments should recognise the links between land use change, agriculture and deforestation and take action where appropriate, including:
  - Introduce sustainability criteria for agriculture, including biofuels, and encourage private sector entities to demonstrate that their actions are environmentally and socially responsible, and to calculate the ecological footprint of agricultural commodities.
  - Provide funding and capacity building assistance for the reform of land tenure and implementation of land use regulations, where appropriate.
  - Increase funding for research and action to improve agricultural sustainability and productivity.



## **B. Measures to Include Forest and Terrestrial Carbon in a Post-2012 Climate Change Agreement:**

1. **Scope:** The terrestrial ecosystems to be covered by post-2012 climate change agreement should be phased, with the initial focus being on what is achievable in the short term. A comprehensive terrestrial carbon accounting system should be a central part of each forest nation's low carbon development strategy:
  - **Immediate:** The immediate scope of a forest carbon mechanism should include reducing emissions from deforestation and forest degradation, conservation, sustainable forest management and the enhancement of forest stocks through afforestation and reforestation, i.e. REDD+.
  - **Long-term:** Parallel efforts should be made to follow a detailed program of work to fill the scientific, methodological, technical, and capacity gaps to bring in agriculture and other land use before 2020, with a focus on the most threatened, high-carbon ecosystems, e.g. peatlands, wetlands.
2. **Financing:** Finance for forests should involve a combined market and fund approach to deal with the varying circumstances in forested developing countries and to mobilize public and private finance. These approaches should incentivise and reward immediate mitigation action and guarantee long-term financial rewards for reaching and maintaining zero net deforestation levels. This can be achieved by:
  - **Immediate Public Finance:** The Informal Working Group on Interim Finance for REDD suggests that if at least \$4 billion were made available each year between 2010 and 2015 for results based incentives and capability building, complementing other REDD+ efforts, a 25 per cent reduction in annual global deforestation rates could be achievable by 2015. Within this, immediate funding should be provided for forest conservation activities in highly forested, low deforesting nations to prevent international leakage.
  - **Market Mechanism:** Acknowledging that the available public finance will not be enough to significantly reduce deforestation rates, private sector involvement should be encouraged in forest-based mitigation. In line with the Bali Action Plan's proposals on REDD+, a forest carbon market mechanism should be created as part of the post-2012 climate change agreement. Such a mechanism should;
    1. Incentivise early and dramatic reductions in deforestation rates by operating on a performance-basis that targets national reference levels and recognizes emission reductions prior to 2013.
    2. Reward a transition from emission reductions to a net zero emissions equilibrium state.
    3. Provide ongoing financial support to maintain stable or increasing forest cover through a "Stabilisation Fund".
  - **Stabilisation Fund:** A "Stabilisation Fund" should be established to pay for the ongoing ecosystem service of carbon sequestration provided by forests. As forest nations reduce their deforestation rates, long-term financial incentives are required that recognise the variation in opportunity cost of forest conversion, and incentivise countries to reach a stable or growing level of forest cover.
3. **Integrity:** Each of the financing stages outlined above should include quality assurance systems that maintain a high level of environmental and social integrity in a transparent manner:
  - **MRV:** An independent and international monitoring, reporting and verification (MRV) authority should be established to coordinate the crediting of forest carbon mechanism, oversee the collection and sharing of data and authorise third-party verifiers to carry out on-the-ground audits. The development of this institution should involve both public and private sectors, along with civil society.
  - **Environmental:** Participating countries and projects should meet a set of internationally accepted environmental criteria, as defined by an independent and legitimate institution, that ensure emission reductions are permanent, additional and that there is no leakage. In addition, these criteria should ensure the minimal loss of biodiversity and other non-carbon ecosystem services.
  - **Social:** Safeguards should be established that guarantee local communities are involved in decision making processes, from design to implementation, and are fairly rewarded for their involvement, as demonstrated by existing payment for ecosystem service projects. Rent accrued from credit sales should be fairly distributed with a focus on low-carbon development strategies that benefit local communities.