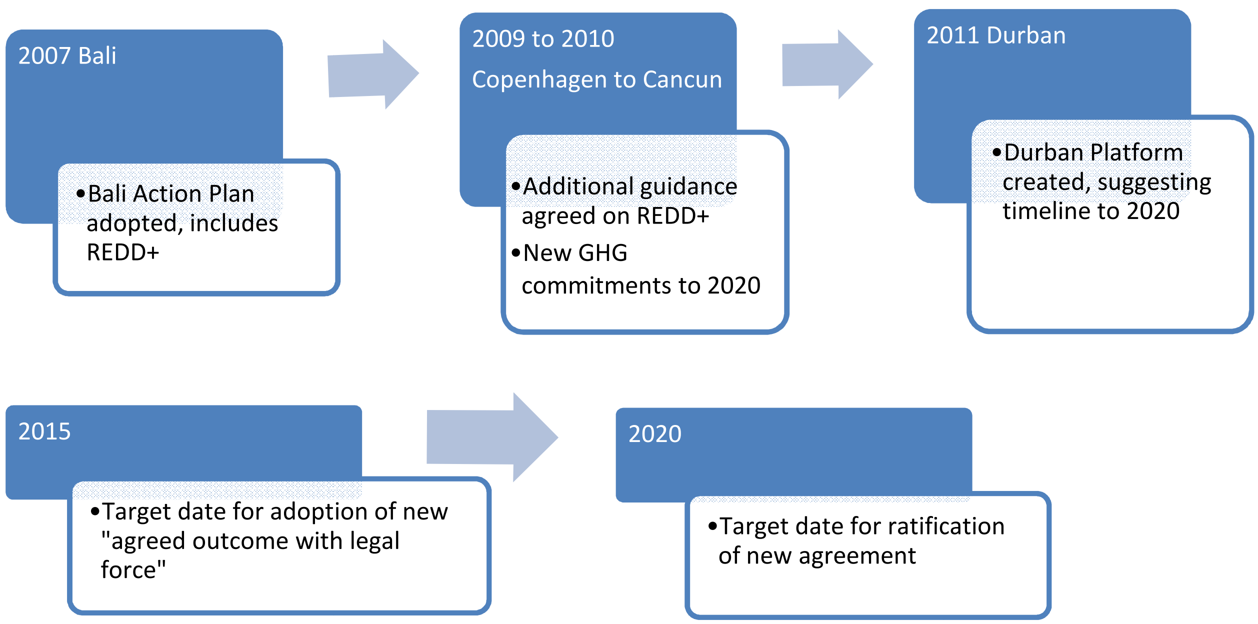
Meridian Institute

Connecting People to Solve Problems

Thought Piece on Current Status of REDD+

The world of climate change policies, both at international and national levels, is in constant flux, and different today than in it was in 2007 when REDD issues were first advanced at the Bali at COP-13. In particular, **international negotiations have moved much slower than expected.** Following the adoption of the Bali Action Plan, many thought a new international agreement would be adopted in Copenhagen (COP-15, 2009). Not only did this fail to occur, subsequent negotiations in Cancun and Durban have resulted in a time horizon that indicates the adoption of a new "agreed outcome with legal force" will likely be in 2015, with implementation starting in 2020.



This delay has implications for REDD+, not least of which is that creation of **an international architecture to support REDD+ crediting is unlikely in the near term**. A more likely outcome is financing for REDD+ coming from a "mosaic" of sources not adhering to a single, unitary set of rules and standards (although, ideally, at least following a general set of guidelines agreed by the UNFCCC). REDD+ implementing organizations are linking REDD+ to other development goals nationally and internationally. This can affect both the scale and acceptability of the use of forest carbon to meet national GHG targets/goals. Furthermore, certain donors and receiving countries are preparing an investments phase to prove that REDD+ can be successful.

Potential "demand-side" countries, in particular developed countries, have not created complementary domestic policies to support scaled-up REDD+ financing. To date, no country at the national level has created a domestic system that will drive future demand for REDD/REDD+ credits. The European Union appears unlikely to consider REDD+ in the European Trading System prior to 2020, and the United States is unlikely to have comprehensive climate change legislation in the near term. In addition, tight fiscal budgets will put pressure, both economic and political, on scaling up public finance for REDD+.

On the positive side, **there is an emerging demand for REDD+ verified emissions reductions.** Japan and Australia may contemplate creation of bilateral REDD+ mechanisms, and Brazil a domestic market. EU countries are encouraged to use revenues from auctioned allowances to support REDD+. Emerging cap and trade systems (China, South Korea) could also include REDD+ offsets, and some developing countries are considering ways to generate domestic demand (Mexico, Peru). The state of California is nearest to creating a compliance market that includes REDD+, although volumes of demand for such credits, if they materialize, are expected to remain low. Beyond this, demand may also be created through multilateral funds (FCPF Carbon Fund, BioCarbon Fund) and through voluntary markets—and possibly even from oil rich states. *These sources of REDD+ demand can provide valuable demonstration and learning— but arguably, given the small scale, inadequate incentive to motivate developing countries to make difficult policy choices to protect forests*.

The challenges described above may very well be the opportunity to change the course of business, industry, society and development, taking into consideration the need for more effective planning and integration of natural capital (that forests embody) into decision making. REDD can be a leading light in this regard. **Countries are beginning to recognize the "win-win" that REDD+ provides**. However, it is clear that more work needs to be done in solidifying this sense of enlightened self-interest. Finding ways to integrate REDD+ into a narrative of Green Growth and sustainable development will not only offer new streams of financing to support REDD+ programs, it can also raise the political engagement on, and endorsement of, REDD+ strategies to make progress on necessary, but difficult, reforms and activities.