

SOLUTIONS through SYNERGIES

REDD & SECTORAL APPROACHES

Executive summary

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This executive summary is accompanied by a full report. An electronic copy of the full report is available at <http://www.ecofys.com/>

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1. INTRODUCTION

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.

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).

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.

***REDD** is one distinct UNFCCC discussion stream and stands for ‘Reducing emissions from deforestation and degradation’ and concern the effect on emissions of greenhouse gases as a result of the use of land in developing countries. In practice, the REDD discussions also include conservation, sustainable management of forests and enhancement of forest carbon stocks, and have therefore recently been labelled “REDD+”. For simplicity we do not distinguish explicitly between REDD and REDD+ issues.*

***Sectoral approaches** or sectoral actions are general terms covering all concepts which include sectoral elements. Such approaches can comprise country specific sectoral actions under the UNFCCC with 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). They comprise also emission-based actions such as sectoral crediting and sectoral trading. Another type are cooperative sectoral approaches across countries (e.g. technology agreements).*

The United Nations Framework Convention on Climate Change (UNFCCC) plans to finalise decisions on an international climate policy agreement in December 2009 in Copenhagen. This analysis provides guidance for decisions to be taken in Copenhagen and immediate actions to be taken afterwards. The analysis identifies the synergies between REDD and sectoral approaches and shows five ways to use these.

REDD AND SECTORAL APPROACHES WITHIN THE NEGOTIATION PROCESS

In the last couple of years, both REDD and sectoral approaches have gained quite some importance in the process within the UN Framework Convention on Climate Change (UNFCCC). One milestone was the agreement upon the Bali Action Plan in December 2007. This Action Plan contained the framework for the negotiation process towards an international climate policy agreement, to be finalised in Copenhagen.

The Bali Action Plan identified five building blocks for the negotiation process:

1. Establishing a shared vision
2. Mitigation of climate change
3. Adaptation to climate change consequences
4. Applying and transferring new technology
5. Financing of measures, especially in developing countries

In practice, the issues of REDD and sectoral approaches are located within different building block discussions (Figure 1). Sectoral approaches are a mitigation subject and are, to a smaller extent, also covered under technology. There is also a link to the financing discussion. REDD is covered on the mitigation platform but also links to financing. The views of the climate science community about links between deforestation and regional climate change effects are not represented by a position of the REDD topic within the adaptation negotiations.

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.

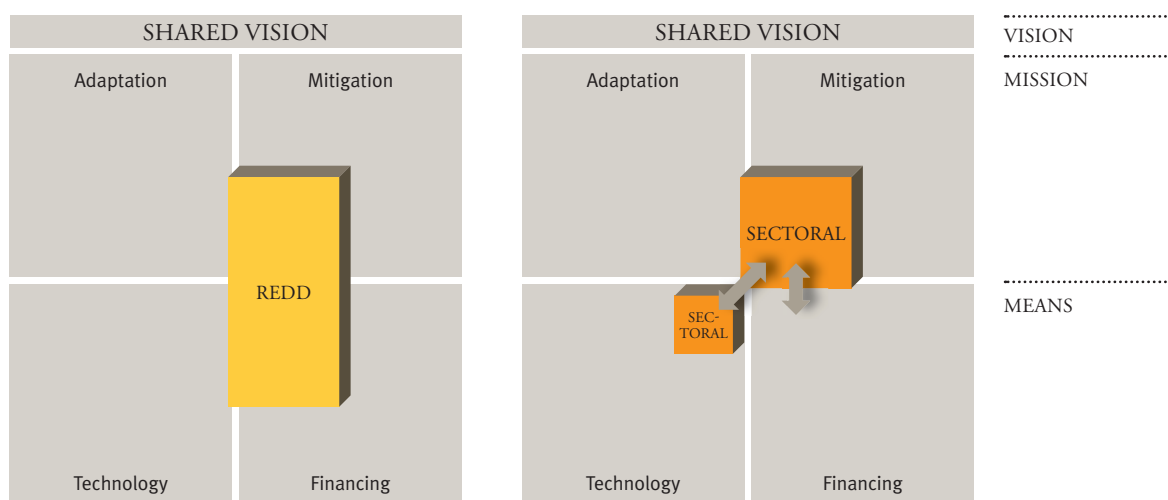


Figure 1.
Coverage of sectoral approaches and REDD within the building blocks of the Bali Action Plan © Ecofys 2009

2. COMPARING REDD AND SECTORAL APPROACHES

DIFFERENCES AND SIMILARITIES

Key differences in the process Analysing some key differences in the negotiation processes, it may not come as a surprise that REDD and sectoral approach discussions have diverged.

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 on 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.

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 Subsidiary Body for Scientific

and Technological Advice (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, WRI, CCAP, Ecofys/GtripleC).

Technical differences On top of this analysis of the history and from the comparison of the actual negotiation streams, we distilled similarities and differences from the technical details of both discussions (Figure 2). The differences turn out to be very sector-specific, related to the different nature and focus of both types of emission reductions. Within sectoral approaches, the emission reductions are to a large extent achieved by the implementation of industry technology. In REDD, technology is not so 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.

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 2).

Development. The REDD discussion participants widely acknowledge that avoiding deforestation has a direct impact on the development of a country and may affect peoples’ ways 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.

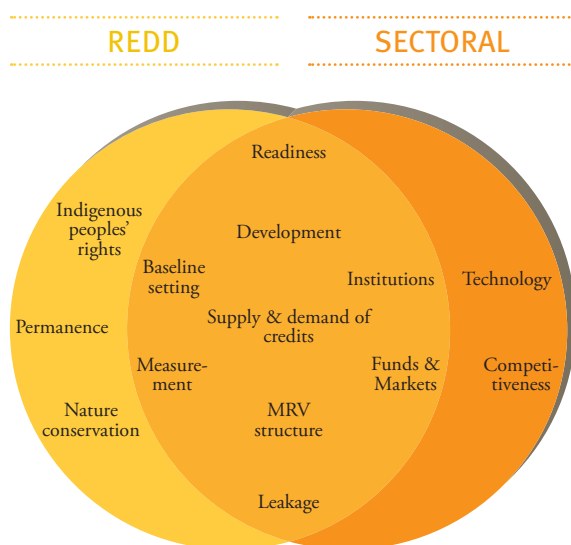


Figure 2.
Similarities and differences © Ecofys 2009

Readiness. In both cases countries need to be ready for implementation, but REDD in general has 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 both 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 the setting of 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 under the sectoral approaches. 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.

3. RECOMMENDATIONS

As an outcome of the analysis of differences and similarities, we conclude that synergies are required to help both the REDD and sector discussions individually and to work out joint solutions in some issues. These synergies need priority attention, so the recommendations presented here are designed to be pragmatic, simple and easy to implement.

IMPROVE COMMUNICATION

Communication is a prerequisite for synergy, but information flows are now hindered for several reasons. The complexity often requires full attention for 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.

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*

TRANSDISCIPLINARY AGREEMENTS FROM ONE TOPIC TO ANOTHER

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. A key area

*‘Phased approach’ for
sectoral approaches*

*Clarification of terminology
on reference (emissions) level
for REDD*

*Clarification of ‘own
contribution’ in REDD*

where REDD could benefit from the more advanced discussion in sectoral approaches is the ‘own contribution’ by developing countries, which is linked to setting the reference emission level.

SUPPORTING THE READINESS FOR SECTORAL APPROACHES AND REDD EQUALLY

The REDD-platform 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 the right kind of support.

*Resources for readiness with
little administrative effort
that allow for quick action*

*Learning first, also for sectoral
Pilot projects with significant
financial 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 focussing 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.

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 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 renegotiated at a later stage, as happened to Land use Land use Change and Forestry (LULUCF) rules under the Kyoto Protocol.

.....
Set stringent Annex I targets

Determine allowed mechanisms

Agree order of magnitude for the supply side
.....

STREAMLINE DISCUSSION ON 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.

.....
Agree on common process

Define criteria for evaluation

Define interim tools for fast implementation
.....

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.

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