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Market driven solutions for saving forests

POLICY BRIEF

The Various Levels of REDD: Making REDD Work for Forest Nations and Local Stakeholders

Executive Summary

On September 23rd, 2008, Avoided Deforestation Partners convened a small group of experts in forest policy, environmental markets, rural development, conservation, governance and international climate negotiations to discuss issues around designing successful market based REDD mechanisms. The group broke the discussion into three themes of 1) financial flows; 2) national and subnational crediting and implementation; and 3) local involvement and benefit sharing. Each theme was discussed in parallel break out sessions tied together with plenary sessions. A set of next steps was then identified for each theme.

Financial flows

The session on financial flows identified REDD funding needs and compared them with bilateral and multilateral funding commitments already made. The group agreed on the necessity to finance REDD with a mix of government and private funding sources. Both project finance and government funding face a number of challenges. As REDD is currently relegated to the voluntary carbon market, financial flows into REDD projects are limited by the comparatively small size of the voluntary market combined with significant regulatory risks for "pre-compliance" investors. Developing countries need funding to develop a REDD strategy, infrastructure to support REDD, policy development and reform, and implementation costs. It was suggested that bilateral or multilateral funding was a better funding source than the carbon market for these activities.

A number of key issues were identified to mobilize the carbon market that revolved around reducing investment risk, stimulating demand for REDD credits, and use of non-market mechanisms to support government participation. Recognition of REDD projects was considered essential to generate the interest of private sector investors.

National and subnational crediting and implementation

The session on national and subnational crediting and implementation emphasized REDD will ultimately be assessed on a national level, but that subnational approaches can be a step towards national approaches, and that subnational implementation will also occur within national approaches. For this reason it is essential for national and subnational approaches to be compatible. The interaction between national and subnational approaches raises a number of issues, including risk allocation between governments and subnational actors, defining what is meant by national approaches, and the time it will take negotiate national reference scenarios or baselines.

The group agreed that successful projects or programs within a country (after leakage is taken into account) should not be penalized if the country as a whole fails to reduce emissions. If projects were subject to this risk the group agreed that very few local stakeholders or the private sector would be interested in engaging in REDD. A number of different understandings of "national" REDD approaches were discussed that differentiated between national monitoring and accounting for emissions and the crediting or reward mechanism for emission reductions, which may occur on a national and/or subnational level.

The group identified some key principles for a future REDD regime that included national level accounting, support for private sector investment, and issuance of permanent REDD credits.

Local involvement and benefit sharing

The session on local involvement and benefit sharing recognized that many different local stakeholders can be impacted by the implementation of REDD activities, including local landowners, governments, communities and NGOs. The group focused on marginalized and poor stakeholders as these groups had the most to lose from ill designed and implemented REDD activities. A list of key threats, costs, and opportunities to these groups was developed.

The possibility of separating some of the co-benefits of REDD from the climate benefits was discussed as a way to encourage the development of REDD activities that benefit local communities in the commodity type market for carbon. However, the group raised concerns over how governments would incorporate pro-poor criteria into national REDD programs or policies, particularly if decisions on the distribution of resources are left to each country without internationally predefined rules on how this distribution will take place.

The group suggested developing a set of principles to guide the development of REDD policies, programs and projects for reducing the risk of negative impacts and increasing the opportunity for positive benefits accruing to local communities. Two overarching principles of "do no harm" and "maximize benefits to the poor" were identified that could be supplemented by more specific economic, political and good governance, ecological, and livelihoods and wellbeing principles. It was suggested that governments develop and implement their own sets of principles that would be registered and voluntarily monitored.

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1 Workshop Summary

On September 23rd, Avoided Deforestation Partners held a workshop to inform the international REDD debate by bringing together experts in forest policy, environmental markets, rural development, conservation, governance and international climate negotiations. The workshop discussed issues that are relevant in the context of formulating various REDD mechanisms and focuses on the generation of knowledge by facilitating expert level discussions.

The group broke the discussion into three themes of 1) financial flows; 2) national and subnational crediting and implementation; and 3) local involvement and benefit sharing. Each theme was discussed in parallel break-out sessions tied together with plenary sessions. A set of next steps was then identified for each theme. The following paper summarizes the main findings of the workshop.

The workshop has help in the offices of McKinsey and Company in New York. All discussions are held under Chatham House rules. A list of participants is included in Annex I to this briefing paper.

Avoided Deforestation Partners *is an international network of thinkers and strategists, founded by leaders in carbon policy, finance, forestry, and conservation in May 2007 to support international efforts to halt tropical deforestation. AD Partners promotes the adoption of a policy framework that creates robust and efficient mechanisms that motivate investments to avoid further deforestation and establishes a platform for research and debate. By stimulating discussion, AD Partners seeks to develop, facilitate and test policy solutions that endorse practical policy concepts that will trigger investments into projects that stop deforestation.*

2 Financial Flows

2.1 Framing the issue

It is widely recognized that significant financial flows will be required to provide incentives to reduce emissions from deforestation at sufficient scale to make a meaningful contribution towards mitigating climate change. However, it is not clear how market- and non-market financing flows will be structured to meet the needs of different parties and how national and sub-national approaches will complement each other. The discussion on financial flows started with the following issues:

- What will be required for market-based approaches to provide sufficient and stable up-front and ongoing funding for governments engaged in national REDD plans? How is this affected by ex-post vs. ex-ante crediting?
- How could the private sector engage governments initiating national REDD programs? How do issues such as delivery guarantees, credit pricing, liability, defaults and remedies under carbon contracts affect private sector and governments' engagement?
- Which activities are best funded by the market (e.g. discrete projects), and which are best funded through funds, grants, and bilateral sovereign agreements, or other non-market instruments (e.g. capacity building, developing and enforcing policies and measures?)

The results of the discussion are set out below.

2.2 Funding needs

Host country needs

Governments require funding to develop, implement, and support measures to address REDD. These costs include:

- Strategy definition:
  - Upfront institutional expenses to understand and develop a response to REDD including staffing up or creating new government institutions
- Infrastructure:
  - Developing a national inventory for land use emissions, followed by ongoing monitoring
- Policy reform:
  - Assessment and where necessary developing or reforming domestic laws and policies
  - Improving governance including combating corruption and law enforcement
- Implementation costs of programs or policies to reduce deforestation and degradation (e.g. Costa Rica's FONAFIFO)

These costs will vary greatly from country to country depending on demographics, ecosystems, geography, and other country-specific factors including levels of existing government capacity and governance.

Challenges
Governments tend to be risk averse and avoid engaging in activities or investments that involve significant speculation. Income from the sale of carbon credits contains uncertainty regarding delivery (volume and timing) and also what the market price of carbon may be in the future. Developing nations need to be assured that they will have access to some form of stable financing, and not only some future flow of carbon credits. The funding needs of governments may be best met with multilateral or bilateral commitments, by fixing prices or by replacing carbon credits by performance based funding commitments such as meeting carbon emission reduction targets.

However, irrespective of whether funding comes from bilateral or multilateral commitments or the carbon market, some REDD host countries have a track record of not engaging with or sharing benefits with local stakeholders. Carefully designed mechanisms for financial flows among different levels of government and to local stakeholders will need to be implemented. The promise of money on its own does not lead to change of bad practices. It is essential for successful REDD implementation that the various parties overcome mistrust and share responsibly and benefits (payments) fairly.

Project finance needs

Project developers have numerous types of costs, which vary from project to project (based on geography, legal, demographics, and other factors), and may include:

- Carbon related transaction costs (PDD, verification costs). These costs decrease as a proportion of the total project cost as projects get larger.
- Other transaction costs (community development costs, capacity-building, funding co-benefits).
- Opportunity cost payments and other direct project costs.

Project costs are affected by the level of governance in the country (increasing with poor governance), and the existence of government policies and programs such as taxes, tax relief, subsidies, or payments to landowners.

Challenges
Three discrete challenges for project finance were identified in the current carbon market.

First, the voluntary market is shallow and illiquid with most buyers purchasing small amounts of credits of not more than 25,000 - 50,000 tonnes of CO_2e carbon credits at a time. It is unclear whether the voluntary carbon market can mobilize the scale of financing needed for large numbers of REDD project activities as it lacks sustained demand for larger volumes of credits.

Second, the limited demand in the current voluntary market will flow to the cheapest carbon (i.e. lowest opportunity costs and highest deforestation rate). As a result other good projects that may

contain greater co-benefits may not be funded. This preference for the cheapest sources of credits may also continue in the compliance market.

Third, the rules and start date of a future compliance market are unknown and compounded by uncertainty whether REDD will ever enter the compliance carbon market. During this period of uncertainty investors must bear significant project risks that are amplified if they also need to support national readiness programs.

Current funding commitments

There are a number of existing commitments for forest-focused initiatives in developing countries. Most of this is directed towards REDD, some of which has already been committed to specific countries.

- Norway: USD488 million per year for 5 years plus EUR35 million for the UN-REDD Programme
- Germany: USD2.8 billion (over 5 years – linked to auctioning EUAs [to be confirmed])
- Japan: USD8 billion in mitigation and USD2 billion in adaptation (over 5 years)
- Australia: AUD$200 million (over 5 years)
- [UK: USD1.8 billion (only part of which is dedicated to forests)]

In addition to these commitments, the World Bank's Forest Carbon Partnership Facility will also provide funding to help countries get ready to address REDD. Some of the funding for this may come from the above commitments, but it also contains additional funding sources.

While these commitments go a long way towards meeting the upfront costs of REDD capacity building, they will need to be scaled up further and be structured in a way that guarantees stable funding for a period of time. It is also yet to be seen how much of these commitments are sovereign-to-sovereign bilateral commitments and how much trickles down to on-the-ground activities involving local stakeholders.

2.3 Key issues to mobilize the carbon market

Kick starting the market

Investors face a number of risks if they try to kick start the carbon market for REDD credits. These include sovereign risks (national under performance, change in government policy between elections, change in laws, governance), quantification/methodological risk (risk that the methodology used does not comply with the rules of a future regime), delivery risk (risk that credits can not be delivered if nationalized by the government or that the mechanisms for delivering credits are not set up).

Some of these risks could be mitigated through guarantees (e.g. World Bank guarantee of certain sovereign risks, and/or sovereign guarantees regarding any investment linked to performance), and the use of clearing houses (e.g. NYMEX Clearport).

As the market moves from a voluntary pre-compliance to a compliance market, the success of the market will depend on ensuring the right rules and regulations are in place to foster investment. The following points were identified as being relevant for fostering an investment climate:

- Sufficient demand needs to be generated, with developing countries voluntary participation in any national schemes being met by corresponding emission reduction commitments of developed countries.
- A commitment from developed countries to purchase a minimum amount of REDD credits at a pre-determined floor price, to give some comfort to developing countries that their efforts will be rewarded.
- Allowing REDD credits as compliance tool in EU and future US emission trading markets.
- Bilateral funding to governments of developing countries to facilitate their participation.
- Alternative sources of funding to supplement bilateral funding and reliance on market mechanisms by governments. This could include creative instruments such as an international fund to support REDD financed by international levies (e.g. on bunker fuels) on other segments of the carbon market.

Aside from these broader market issues, there are additional issues specific to catalyzing investment in projects and for national engagement.

Conditions to stimulate investment in projects

The private sector expressed a strong preference to invest in REDD projects rather than national governments directly. A number of conditions to stimulate investments into projects were identified. These were:

- Credits should be issued by a credible independent body.
- Credits should be verified / verifiable to a common international standard.
- Credits should be equivalent / fungible with Allowance Units under mandatory schemes.
- Credits should accrue over a reasonable time horizon (e.g. a minimum of 20 years).
- A future compliance market that includes REDD should be in place by post-2012 period.
- The future compliance market should include at least one of US, China, or India.
- National level accounting or readiness programs should be established in a selection of developing countries with active REDD projects (e.g. 6 – 12 countries), and recognized in the future compliance market.
- Successful REDD projects in countries that do not reduce emissions nationally should be guaranteed via links/registration into any prospective national registry.

Stimulating national engagement

Governments need bridge finance to fund activities before any credits are issued under an ex-post crediting mechanism. This funding should produce minimal liabilities for participating governments. Bilateral commitments from developed countries and/or multilateral initiatives like the FCPF are likely the best sources of funding for this.

3 National and sub-national crediting and implementation

3.1 Framing the issue

It is broadly agreed that national monitoring and accounting for REDD is a desired end goal, but that for many countries sub-national accounting approaches may be more feasible in the near term. REDD crediting and implementation, on the other hand, can occur at the national level (e.g. through sectoral programs) and/or at the sub-national/project levels where project developers are directly rewarded for their activities on the ground. The interaction between accounting, crediting and implementation for national and sub-national levels is not well understood and is still to be defined. The discussion on national and sub-national crediting and implementation started with the following issues:

- What would national level crediting look like (i.e. awarding credits to national governments), and how would this relate to national and sub-national implementation?
- What would subnational crediting look like (i.e. awarding credits to project/activity implementers rather than to the central government), and how would this relate to national versus sub-national implementation programs?
- What are the key market related risks/issues/concerns regarding national and sub-national crediting and implementation and what are potential solutions to these challenges?

The results of the discussion are set out below.

3.2 Need for national and subnational compatibility

National monitoring and accounting for REDD is an end goal, but not all countries will have the capacity to implement national inventory systems in the short term. Leading up to this end goal, subnational experiences can be very beneficial and should be encouraged. These subnational experiences could range from regional monitoring and accounting only, to demonstration activities to reduce emissions, both of which can be learning tools or stepping stones towards national monitoring and accounting.

Once a national monitoring and accounting system is in place, the group recognized that implementation within country can be expected to include a variety of measures including policies, programs, and projects. Programs and projects can be very large scale, covering regions or provinces within a country. The group also agreed that private sector capital has a very strong preference for investing in REDD projects they have some control over rather than into governments or government programs. With this in mind, it is therefore critical that subnational activities are recognized within national monitoring and accounting systems.

In both these instances – subnational actions coming before national, and subnational activities being incorporated or recognized within national - it is important to ensure subnational or project based activities can be incorporated in, and are compatible with, national monitoring and accounting mechanisms. If this does not occur, it is highly likely that the private sector will not invest in any REDD activities. The need for compatibility raises a number of issues.

Issues

Risk allocation
There are a number of risks in REDD projects. Two particularly pertinent risks that arise in the context of issuance or allocation of REDD credits or allowances are:

- The risk that a project or program will not reduce emissions (including when taking leakage into account)
- The risk that a country will not meet any national targets to reduce emissions and thus negatively impact project level investments

The allocation of risk between governments and subnational entities (private sector investors, local public bodies, NGOs) in these scenarios is critical to creating a market for REDD. The first risk is something that is within the control of the entities engaged in the project or program, and is a risk they can and should bear – if the project does not perform, they should not be rewarded.

The second risk is more significant when projects or programs are part of a national system. The group agreed that the private sector will not engage in REDD if a project or program within a country successfully reduces emissions (including when accounting for leakage), but a failure by the country as a whole to reduce its emissions prevents any benefits accruing to the project. However, this need to give investors confidence that their projects will not be undermined by forces beyond their control needs to be balanced by the need to maintain environmental integrity in the system.

Defining "national"
There are many ways of defining national approaches to REDD. At a minimum it requires some sort of national monitoring and accounting of emissions - the variations focus on how emission reductions are recognized and rewarded.

Emission reductions can be recognized against:

- A reference scenario or baseline (i.e. against historical rates which may also take into account future trends)
- A no lose target (i.e. target to reduce emissions to a certain level or below a certain rate, with no consequences if this does not happen)
- A commitment or cap to restrict emissions at a certain level (i.e. a binding commitment to keep emissions at or below a set cap, with consequences if this does not happen)
- An allocation of emission allowances (i.e. emissions must be equal to or below emission allowances, that are issued ex-ante. There may or may not be consequences if there are more emissions than allowances.)

In each of the above, any emission reductions can be rewarded by:

- Issuance of credits to discrete programs or projects within the country that reduce emissions (i.e. credits go directly to projects/programs approved by the government)
- Issuance of credits directly into a national account (i.e. the government receives any credits/rewards itself and distributes credits/revenue as it sees fit)
- Issuance of credits into a national account and to approved programs or projects within the country (i.e. credits to both central government and projects/programs directly)
- Direct payments to governments based on emission reductions (this may be combined with some of the above)

The group differentiated REDD credits from REDD allowances, where credits are issued ex-post for reductions below a baseline or reference scenario, and allowances are issued ex-ante. In a REDD allowance scheme, credits may be transferred or converted rather than "issued". The pro's and con's of the approaches were not discussed in detail.

The architecture of the eventual REDD scheme will have significant impacts on how risks are allocated between governments and investors/stakeholders. Government capacity and governance will affect how significant risks to investment are addressed under each of the above options.

Negotiating national baselines or reference scenarios
Linked to the discussion over what is meant by national approaches, concerns were raised over how long it will take for developing countries to understand their national circumstances and negotiate any national baseline or reference scenario in a comprehensive and adequate manner. This process may take several years for a number of countries, and options need to be found to allow participation in REDD while this process unfolds.

Additional challenges
US participation in the REDD sector on a state or federal level may create additional complexities if US standards or credit eligibility criteria are different to those adopted internationally. This was noted as an issue to be watched and hopefully avoided with sufficient exchanges of information as the US and international regimes develop.

3.3 Principles for a future REDD regime

A future REDD regime needs to stimulate action from governments, investors, and project developers. Critical components of a REDD regime include:

National accounting

"Accounting" should at a minimum mean the ability to maintain an inventory based on measurements and monitoring of carbon stocks at a national level. This should be a goal for countries, but it was noted that participation in REDD projects should be allowed before this is achieved.

There was no consensus on whether countries should adopt national emission reduction objectives or targets, and what, if any, consequences should follow if these objectives or targets were not met.

The Joint Implementation model was discussed as a possible approach that could be adapted to a future REDD mechanism. Following the JI track I/II model it was noted that more than one option for national participation can be considered in a REDD mechanism so that countries can choose the most appropriate approach based on their national circumstances and priorities.

Support private sector investment

REDD policy should be designed in a way that catalyzes private sector investment. The private sector is more likely to work with local stakeholders and project developers to invest in projects directly. The private sector will be less inclined to make investments where Governments are the counterparties. These facts result in a number of policy recommendations:

- Project level REDD activities must be recognized in the future REDD mechanism even when there is national level accounting.

- Successful projects need to be shielded from sovereign risks beyond their control associated with national under performance, in addition to any other risks that may arise for private participation in a national approach.

The group discussed, but did not reach consensus on possible solutions for shielding project performance from sovereign failure. Ideas included the use of buffer accounts similar to the voluntary carbon standard that could be drawn on if there was a national under-performance, or released over time if there was a national over performance.

Permanent credits

There was agreement that REDD credits or tradable allowances should be permanent and fungible with other credits. This will benefit host countries, project developers, investors, and buyers. Permanence can be dealt with through a collective buffer system, either at the national or global level.

4 Local involvement and benefit sharing

4.1 Framing the issue

Deforestation occurs because local actors and decision-makers face incentives to cut trees rather than to leave them standing. New policies and practices will be required to spur conservation at the local level, while not undermining the livelihoods of poor/marginalized communities dependent on forest resources for their survival. Appropriate incentives, safeguards, legal structures and institutions must be put in place to stimulate effective on-the-ground actions while ensuring equitable benefit sharing necessary for the long-term sustainability of the REDD activities. The discussion on local involvement and benefit sharing started with the following issues:

- What types of incentives are likely to maximize local participation and how should they be structured?
- What types of processes, institutions, policies and laws are required to enable local communities to take advantage of REDD incentives and to ensure they get an equitable share of benefits and that these benefits are equitably shared among community members?
- What safeguards can/must be put in place to ensure that local communities are not unfairly shut out of forests needed to sustain their livelihoods?

The results of the discussion are set out below.

4.2 Focus on pro-poor

Many different local stakeholders can be impacted by the implementation of REDD activities, including local landowners, governments, communities and NGOs. However, the breakout group chose to focus its discussions on marginalized and poor stakeholders, since these were considered the groups with the most to lose from ill designed and implemented REDD activities. Also, it was recognized that for REDD to be widely embraced and to provide opportunities for achieving lasting positive impacts for forest conservation and local livelihoods, it has to be shown to benefit these groups, or at least not harm them. Having said this, the group recognized that many preconditions exist to successful REDD implementation, that the REDD mechanism should not be burdened by being solely a poverty alleviation solution, and that participating in the REDD market is not an approach that should be imposed on all forest owners.

4.3 Key threats, costs, and opportunities

The group identified key threats, costs, and opportunities for marginalized, poorer participants in REDD, recognizing that encouraging and following certain project design criteria is a key way to confront or promote them.

Threats and potential costs include:

- Displacement
- Change from traditional activities
- Loss of use or access to resources
- Additional loss of participation and increased marginalization
- Influx of other actors/interests leading to a possible loss of cultural identity
- Conflict and competition for land leading to a concentration of wealth (externally and within the community)
- Conflicting policies (e.g. between agriculture and REDD)
- Exposure to commodity price volatility (including prices of carbon credits and other commodities)

Opportunities include:

- Transfer of wealth from global emitters to marginalized rural poor in developing countries that may otherwise have minimal economic opportunities
- Improved livelihoods as result of participation in REDD
- Increased sustainability in land management
- Complementary income generation from a new revenue stream
- Education and training through participating in REDD and collaborating with new partners
- Potential to combine climate change adaptation with mitigation activities
- Increased political importance of developing countries and of rural areas within developing countries, which can lead to empowerment and social inclusion
- Incentives to improve or recognize land rights leading to better local governance
- Benefits/revenue tied to performance, increasing the likelihood of recognition of the contribution of poor and marginalized local actors to land use changes that reduce emissions
- Maintenance of local identity where this is linked to maintaining forests and natural ecosystems

Challenges to realizing opportunities

The group recognized the challenge of encouraging the development of REDD activities that benefit local communities in a commodity market for carbon. The group recognized the need to further analyze pros and cons for scenarios where the market may price "extra benefit" carbon at a premium compared to commodity carbon, or for the possibility of stripping out the other ecosystem and community benefits from the REDD carbon and marketing the various components separately.

Uncertainties with national approaches

Additional uncertainty exists in how governments that choose to assume national responsibility for REDD may allow or implement domestic REDD activities. Decisions regarding the distribution or allocation of resources is left to each sovereign, and negotiators will probably be unwilling to predefine how this distribution will take place in REDD. The potential lack of international guidance is matched by uncertainty over how poverty alleviation or poverty targeting priorities would be embedded into a country's national system of allocating emissions rights, carbon sale rights, or funding for REDD activities, among other aspects.

4.4 Principles for community involvement in REDD

The breakout group discussed certain principles that could be put in place to guide the development of REDD policies, programs and projects for reducing the risk of negative impacts and increasing the opportunity for positive benefits accruing to local communities. "Do no harm" and "maximize benefits to the poor" were identified as overarching principles that could be refined along various dimensions, such as:

Economic principles:

- A local definition of equity that is linked to REDD mechanisms, institutions, and implementation of REDD activities
- Enhance sustainable livelihoods and economic opportunities

Political and good governance principles:

- Free and prior informed consent of all participants
- Transparency of rules, decision making procedures, and how financial flows are distributed
- Recognition of traditional land and resource rights

Ecological principles:

- Enhance ecological services through REDD in addition to carbon sequestration services

Livelihoods and wellbeing principles:

- Ensure access to resources and sustainability of basic needs

Although agreement could probably be reached globally on a set of core principles, including referencing important documents such as the UN Declaration of the Rights of Indigenous Peoples and the like, the breakout group recognized that it should be up to each nation to define how these principles would be operationalized, taking into account local circumstances and national priorities. Countries could be required to register their principles or strategies to protect poor and vulnerable people and to report on implementation, with an option of demonstrating the pro-poor benefits from their REDD schemes. Monitoring and compliance with these self-defined principles could be periodically carried out by a third party as a voluntary option and the results made public. Overseas Development Assistance could play a supporting role for these monitoring activities. It can be expected that investors, donors and others would respond by prioritizing engagement with and funding for those country's with the most credible and robust frameworks in place for successfully adhering to these principles. This would likely create competition between countries to create policies and programs for maximizing the potential benefits to local participants and encourage adoption of objective evaluation to demonstrate their effectiveness.

5 Next Steps

5.1 Financial flows

In order to assess the supply and demand dynamics of REDD credits, economic modelling under various scenarios is needed. It is essential to assess the effects of no, restricted and full fungibility of REDD credits with domestic and regional emission trading schemes. It is further worth investigating whether there are ways to negotiate legally binding commitments of industrialized countries to allocate the proceeds from the auctioning of domestic allowances or other public funding sources to ensure stable and predictable REDD financing.

It is further essential that governments encourage national and sub-national demonstration activities to test not only standards and accounting measures but also financial reward schemes. The international community to should send positive signals to REDD nations and investors by agreeing to recognize verified emission reductions from deforestation under a post-2012 climate change treaty.

5.2 National and subnational crediting and implementation

More work is needed to define the details of a mechanism that integrates project level activities within a national accounting system. This work should build on the principles identified and include specific recommendations and suggested text for designing a workable REDD mechanism. Lessons (both positive and negative) could be taken from the experiences of the Clean Development Mechanism and Joint Implementation.

5.3 Local involvement and benefit sharing

Given the high degree of concern about the potential negative impacts of future REDD mechanisms on local communities and particularly on poor and vulnerable people including indigenous peoples, further work is needed to develop the principles for 'no harm' and 'maximising benefits to the poor' identified during this workshop. A participatory process should be adopted including groups focused on community impacts from REDD such as development NGOs, indigenous peoples organisations and bilateral/multilateral development agencies. Commonly cited risks expected by pro-poor groups are discussed by some of the proposals highlighted in the first two sections of this report, and as such are valuable contributions to the discussions. In addition, engagement with national or subnational governments, could evaluate and facilitate their interest in piloting a set of voluntary principles, safeguards or standards to demonstrate the social benefits of their REDD programs and policies, leading to testing and improvements to the pathway proposed in Section 3 for incorporating decision making principles that protect poor and marginalized populations.

Building on the input from this workshop, The Climate, Community & Biodiversity Alliance is launching an initiative to support the development and adoption of social and environmental standards and safeguards for national and sub-national forest carbon policies, programs and activities that will directly contribute to the further work identified here.

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Annex I: List of Participants

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