

Mexico Forest Workgroup Meeting 3

August 5, 2010
Coyoacan, DF – Mexico



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ACTION
RESERVE



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Air Resources Board Crediting

- ARB thinking related to approach to forest sector Reduced Emissions from Deforestation and Degradation (REDD)
 - Program elements
- Implications for Mexico Forest Working Group



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ARB Timeline and Mechanics

- Cap and Trade regulation scheduled out this fall
- ARB working closely with GCF
 - Developing REDD framework that could allow credits from subnational program
- CAR collaboration with VCS and GCF
 - Assist with design elements of REDD framework
 - Develop project methodologies

Possible Phase-in Approach

ARB staff thinking



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- Start with Avoided Deforestation
- Focus on high deforestation jurisdictions
- Required Nested System (Projects to Jurisdictional Accounting)

Program elements in a nested framework

ARB staff thinking



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- Jurisdiction-level requirements
 - Baselines: Reference levels, crediting baselines
 - Trajectory
 - Inventory and MRV
 - Environmental and social safeguards
 - Enforcement and consideration for reversals
- Project-level requirements
 - Additional, quantifiable, verifiable, real
 - Inventory and Baseline
 - Environmental and social safeguards
 - 3rd party verification
- Reconciliation

Jurisdiction Framework

ARB staff thinking



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- **Reference Level (RL)** is determined by average 10-year historic deforestation rate
 - Adjusts every 10 years
 - Data from spatially-explicit activity (remote sensing and ground-level measurements)
 - Use of carbon emission factors (IPCC good practice)

Jurisdiction Framework

ARB staff thinking



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- **Crediting Baseline** is a policy decision
 - Takes into account relevant historic trends and policies to reduce GHG emissions
 - Additionality and performance of the sector is based on its crediting baseline
- Crediting Baseline is a benchmark REDD partners must achieve prior to credit issuance. ARB considering:
 - 25% below RL for portion of credits to become eligible
 - 50% below RL for all credits to be eligible



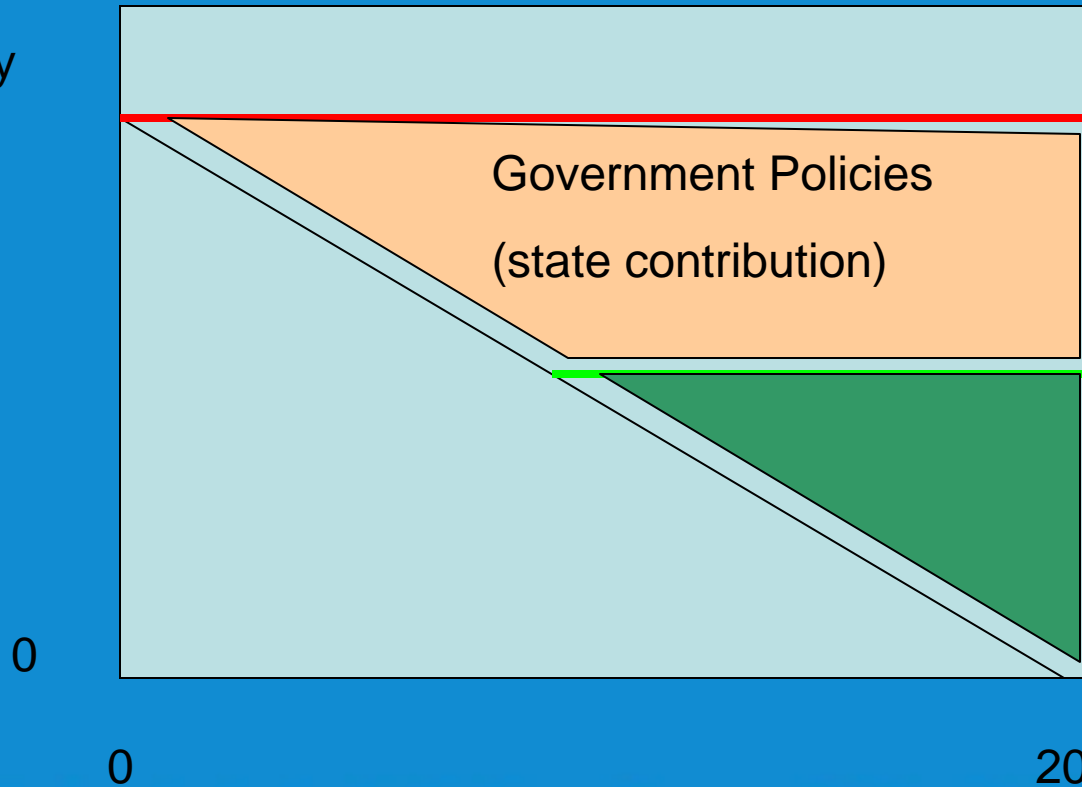
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Air Resources Board Crediting

ARB staff thinking

Emissions from
Deforestation
(CO₂-e)

Many



Reference Level



Crediting Baseline



Credited REDD
Projects

(carbon market and
private investment)



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ARB Contacts and Comments

- Submit comments by 6pm, August 20, to
<http://www.arb.ca.gov/cc/capandtrade/comments.htm>

Contact (Office of Climate Change)

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Situating Projects for a Compliance Market: Nesting



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- Nested Projects:
 - Provide a mechanism to credit REDD++ **projects** within a jurisdictional (federal, state, sub-national) regulatory system.
 - Activities and verification managed at the project level, but reconciled with, and subject to the performance of, the jurisdiction's achieved emissions reductions and removals
- Attainment of crediting under ARB will require, as previously discussed
 - Meeting ARB minimum requirements
 - Jurisdictional accounting
 - Governmental commitment
 - Achievement of significant reductions (i.e., 50%)



A Path to Nested Projects

Voluntary projects → Pre-nested projects → Nested projects

- There *may* be potential to credit “pre-nested” projects prior to full jurisdictional attainment
- Voluntary projects need no ARB or state action
 - No uncertainty
- Pre-nested projects and nested project methodologies do not exist
 - Highly conceptual
 - Opportunity to proffer proposal to ARB and other groups
- Workgroup should develop standards catered to multiple project phases, considering transition and nesting mechanisms

From Voluntary to Pre-nested to Nested Projects



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Voluntary Projects

Project Activities

- Reserve develops voluntary project standards:
- Activities credited to the voluntary market
- Independent MRV, leakage, permanence assessments

Jurisdiction Activities

- Jurisdiction commitment not required
- Jurisdiction working towards minimum requirements of ARB
- No credits issued by or managed by jurisdiction

- Current status of market
- High certainty that Reserve protocol will be accepted in voluntary market

From Voluntary to Pre-Nested to Nested Projects



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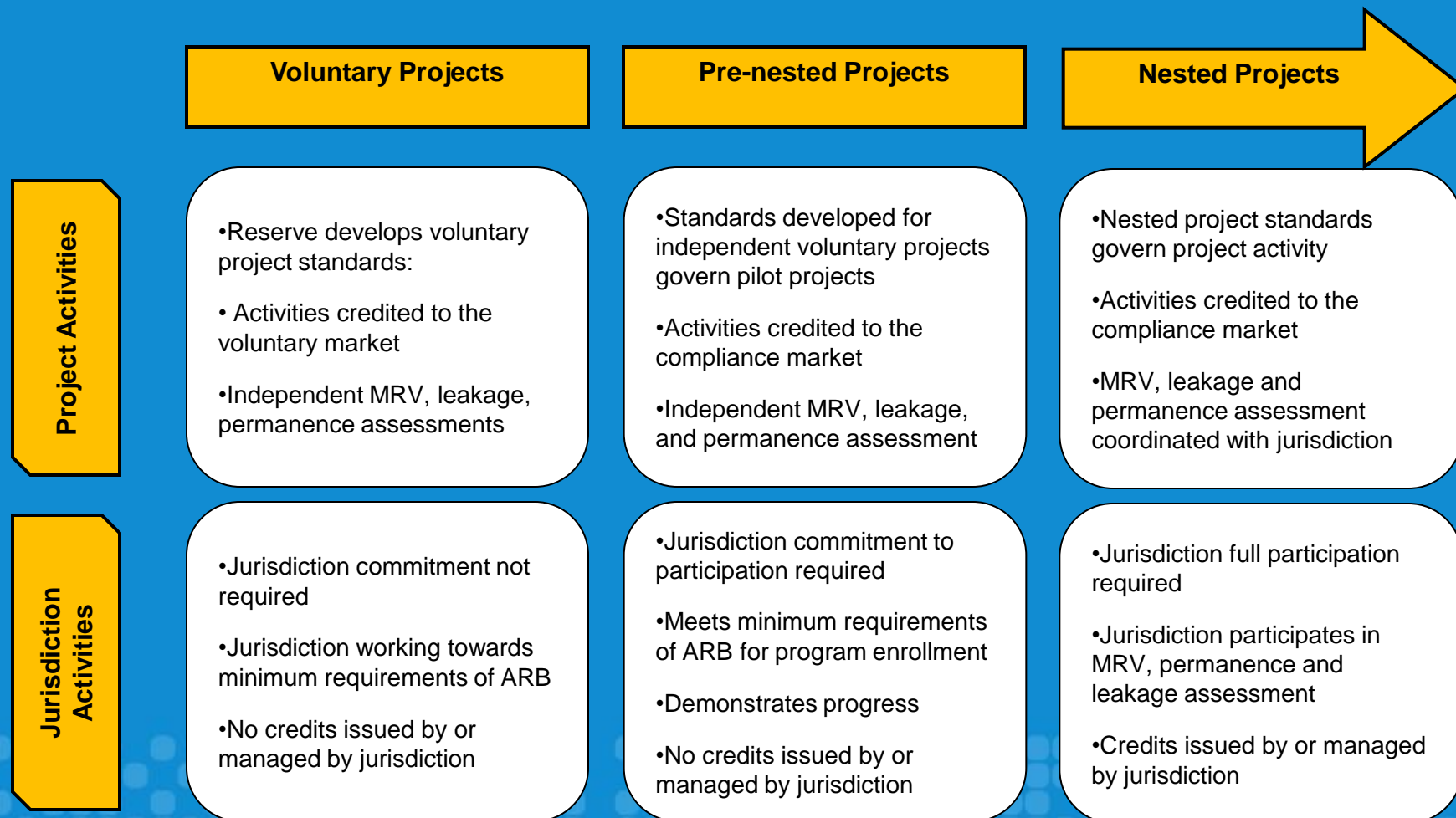
	Voluntary Projects	Pre-nested Projects
Project Activities	<ul style="list-style-type: none">• Reserve develops voluntary project standards:• Activities credited to the voluntary market• Independent MRV, leakage, permanence assessments	<ul style="list-style-type: none">• Standards developed for independent voluntary projects govern pilot projects• Activities credited to the compliance market• Independent MRV, leakage, and permanence assessment
Jurisdiction Activities	<ul style="list-style-type: none">• Jurisdiction commitment not required• Jurisdiction working towards minimum requirements of ARB• No credits issued by or managed by jurisdiction	<ul style="list-style-type: none">• Jurisdiction commitment to participation required• Meets minimum requirements of ARB for program enrollment• Demonstrates progress• No credits issued by or managed by jurisdiction

- Unclear under AB 32 if pre-nested projects will be eligible
- Unclear how pre-nested projects might operate
- Workgroup has an opportunity to influence process/rules

From Voluntary to Pre-nested to Nested Projects



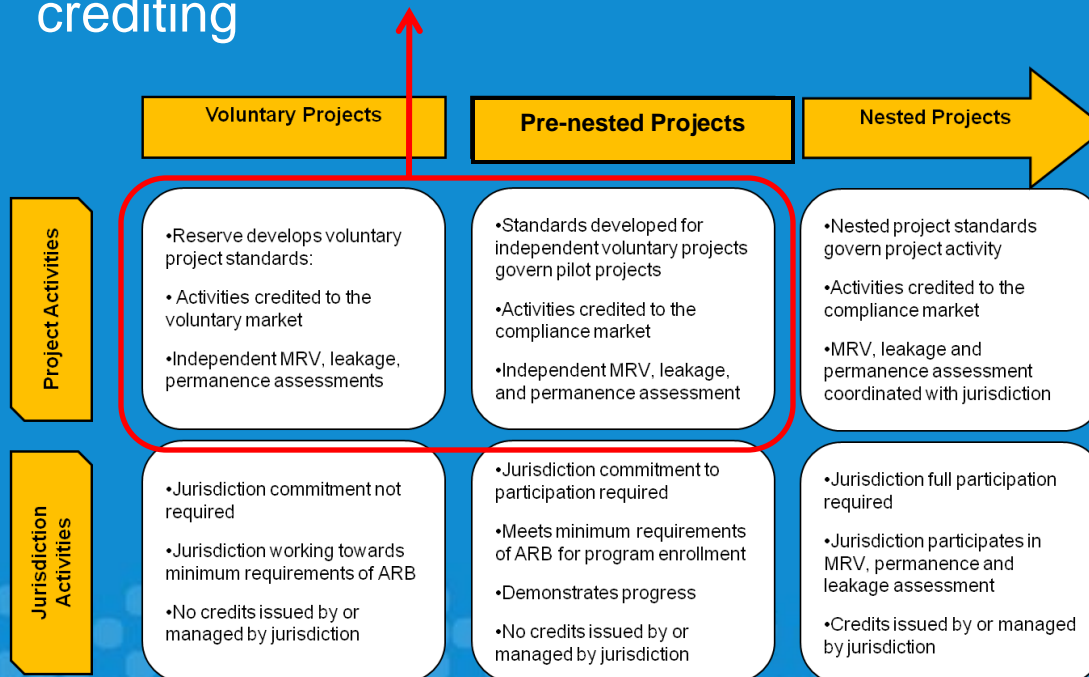
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Workgroup Objectives

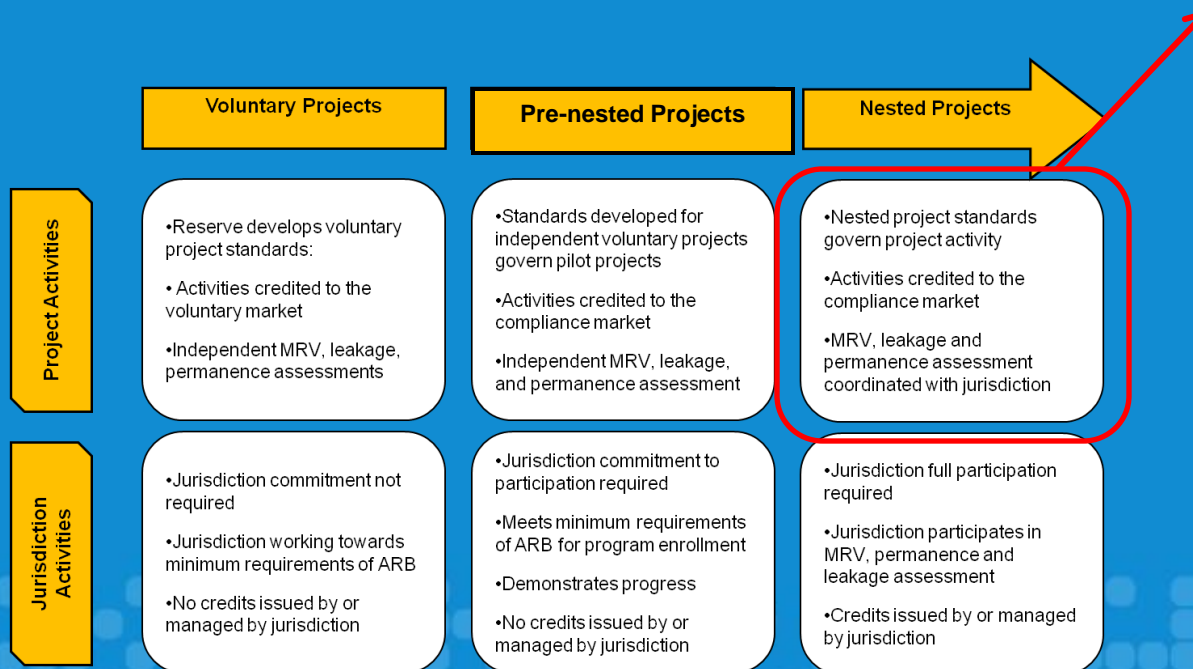
- Three primary objectives for Reserve workgroup:
- Objective 1: Develop voluntary/pre-nested project standards to govern project activities for independent crediting





Workgroup Objectives

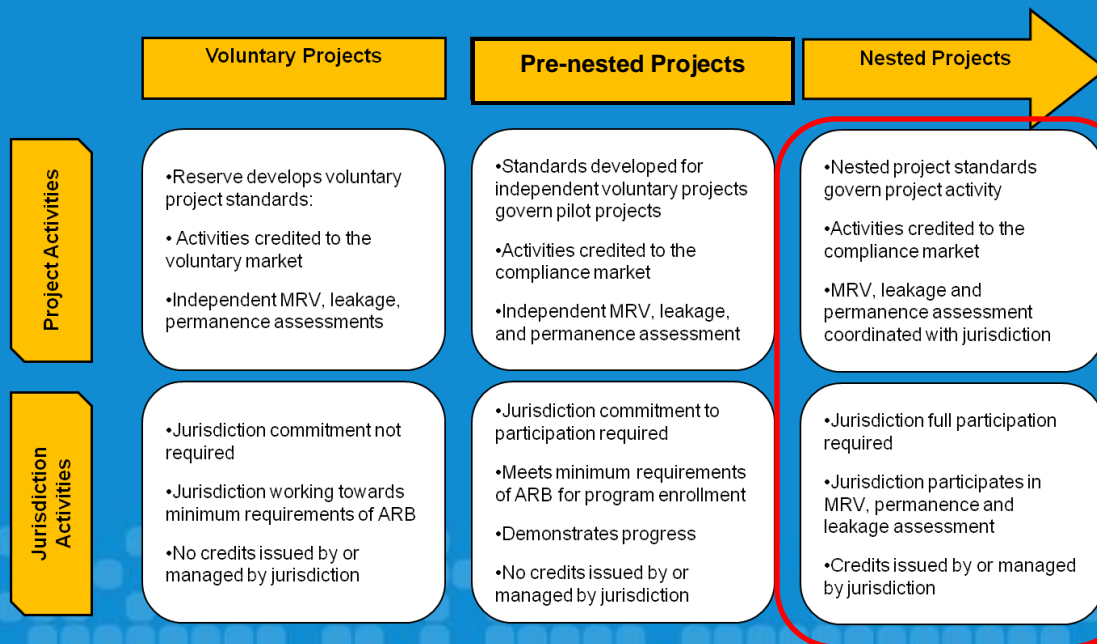
- Three primary objectives for Reserve workgroup:
 - Objective 2: Develop nested project standards to govern project activities within a jurisdictional architecture





Workgroup Objectives

- Three primary objectives for Reserve workgroup:



- Objective 3: Develop nesting architecture to reconcile project and jurisdictional crediting

Components Likely to be Similar Between Voluntary/Pre-nested and Nested Projects



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Voluntary/Pre-nested Projects

Nested Projects

Project Description

Description of project resources, activities, and benefits common between approaches.

Project Eligibility

Eligibility generally consistent between approaches. Some variation exists in required crediting and monitoring period.

GHG Assessment Boundaries

The accounting of project sources, sinks and reservoirs is similar between approaches, although statistical rigor of estimates will be reduced for nested projects.

Environmental Co-Benefits

Requirements for achieving environmental co-benefits equal for project life, which may vary between pilot projects and nested projects.

Public Participation

Requirements for public participation will be similar, although there may be a shift from public participation associated with projects to greater public participation associated with jurisdiction-wide policy development and monitoring.

Components Likely to be Different Between Voluntary/Pre-nested and Nested Projects



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Voluntary/Pre-nested Projects

Nested Projects

Additionality

Assessed at project specific resolution

Assessed less at a project-specific level with greater focus on jurisdictional assessment.

Baseline Quantification

Assessed at project specific resolution

Assessed less at a project-specific level with greater focus on jurisdictional assessment.

Project Quantification

Assessed at a project specific resolution. Period for project quantification commensurate with permanency requirements at project level.

Assessed less at a project-specific level with greater focus on jurisdictional assessment. Quantification costs are reduced at the project level.

Leakage

Assessed and mitigated at a project specific resolution.

Assessed and mitigated at jurisdictional resolution. Mitigation costs for leakage reduced at the project level provided emissions reduction targets are met.

Permanence

Permanence linked directly to project reductions/removals.

Permanence linked directly to increased jurisdiction expectations of achieving reductions/removals with reduced burden to projects.

Verification

Verification activities are intensive at the project level

Verification activities are less intensive at the project level with a shift toward jurisdictional verification