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U.S. Climate Policy, Comparability, and REDD: A Work in Progress

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What about the US?

- What's the relationship between domestic action and the new post-2012 treaty?
- What strategies are needed to support U.S. re-engagement in the global effort?
- How can the US get to the “comparable” level of effort called for in Bali?



President and Congress Must Work Together on Climate Policy

- World needs to know Congress will support what the new president negotiates
- Congress must be satisfied the administration is pursuing a good deal for the U.S.
- Senate Foreign Relations Committee is already preparing to work with the next president

Relationship between U.S. Domestic Action and the Post-2012 Treaty

- Scenario A: Domestic action (climate bill or EPA regulations) before Copenhagen negotiations end-game
- Scenario B: Next president negotiates targets in Copenhagen, then presses for domestic bill
- Scenario C: Movement on domestic front before Copenhagen, but not final action



US Engagement on Post-2012 deal

- Early signals from new president needed on importance of the international treaty regime and intent to re-engage
- Need to build greater understanding in Congress on post-2012 treaty issues, particularly developing country actions, technology cooperation/financing, and competitiveness
- Need to ramp up engagement of EU and key developing country officials with members of Congress, state and local officials, business leaders, media

Technology and Finance Issues Are Key

- U.S. and other industrialized countries must assure greatly increased support for clean technology, REDD, and adaptation
- REDD and adaptation provisions in Senate bill are a good start
- Financing for clean technology is a more difficult issue politically, but needs to be addressed

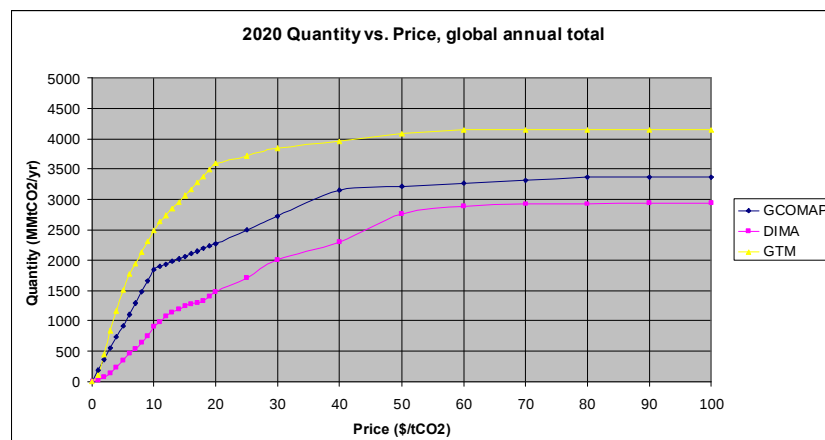
A global deal to reduce deforestation emissions

- Takes advantage of the principle that every CO_2 molecule emitted, no matter where, has the same effect on global warming
- Thus, if industrialized nations fund tropical forest nations to reduce deforestation, it has the same climate effect as increasing car mileage standards, reducing coal burning to generate electricity, etc.



Supply curves (emissions reduction vs. price) for estimation of REDD potential

For the 3 major global economic models ñ GCOMAP, DIMA, GTM

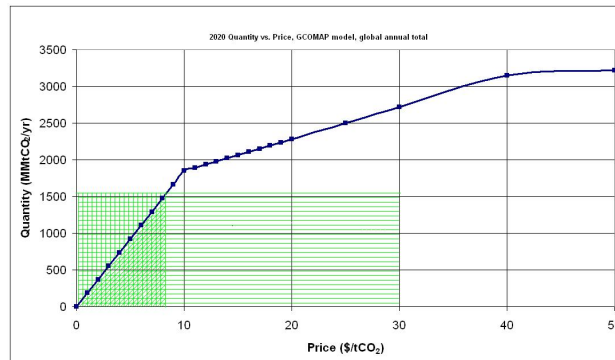


Several ways to finance it: a “basket of approaches”

- Selling carbon credits directly as offsets in the carbon market
- Market-linked systems, such as using auction revenues or allocating allowances (e.g. Lieberman-Warner)
- Fund systems based on development aid and donations (e.g. Norway\$ \$ 2.6 billion)

Three approaches to estimating costs of reductions from supply curves

Illustrated with the GCOMAP global economic model (midrange of the 3) applied to the Stern Review's 46% reduction in deforestation emissions



Approach	Area of graph	Assuming:	Cost of 46% reduction
Buyers' market power	Triangle below the curve	Tropical countries each receive their minimum price	\$ 8.0 billion/year
P = Q	Small (left) rectangle	All tropical countries paid same price	\$ 16.0 billion/year
Carbon market	Large rectangle	All tropical countries paid world carbon market price	\$ 57.4 billion/year



Lieberman-Warner Climate Security Act

- Caps cover ~ 86% of overall US GHG emissions; the bill requires reductions by these capped sources of 4% below 2005 levels by 2012, 19% by 2020, and 71% by 2050.
- NRDC/WRI estimate the bill would reduce total U.S. GHG emissions from 2005 levels by 18-25% in 2020
- Given that U.S. emissions increased by ~ 16% from 1990 to 2005, this would leave us well above the -25% to -40% reductions from 1990 levels by 2020 called for in Bali

Potential additional U.S. mitigation efforts through REDD

- The U.S. could fund additional emissions reductions – not “offsets” but reductions beyond its domestic caps – in developing countries
- The Lieberman-Warner bill does this for REDD: in its “International Forest Protection” subtitle, the bill allocates 2.5% of allowances for REDD
- Groups working to protect this carve-out for REDD activities, get it back up to the original 3% in next year’s bill



How much REDD reduction?

- UCS has estimated how much additional emissions reduction this provision could achieve
- Three steps:
 - Estimate how much funding (value of allowances) the provision will provide
 - Figure out which way of estimating the REDD potential of this funding level, is the most conservative method
 - Use this way to estimate how much reduction in emissions the funding would achieve, if applied to REDD efforts

Step 1: Value of the funding

- Estimated using 3% of allowances, the declining caps specified by the bill, and WRI's estimates of carbon prices if the bill is passed
- Results:
 - Average value from 2012 to 2030 is \$ 3.505 billion/year
 - Total value through 2020 is \$ 27.2 billion
 - Total value through 2030 is \$ 66.6 billion



Step 2: Finding the most conservative method

- Used three methods to estimate REDD potential:
 - Mid-point of the range of three global models of REDD (GTM, GCOMPAP and DIMA) ñ gives a curve of emissions reductions vs. cost
 - Stern Review estimate (\$ 5 to \$ 15 billion to reduce deforestation by 46%), converted from area deforested to tons CO₂ emitted
 - Mean cost (\$/tCO₂eq) of 28 empirical, regional studies of opportunity costs of tropical forest land
- Of these three, chose the method that gave the lowest estimate of potential REDD reductions (highest cost)

Step 3: What's achievable?

REDD reductions funded by 3% of L-W allowances
(using the 3-model mid-range estimate) could achieve:

Year	Emissions reduction (GtCO ₂ eq)	Total cost (billion \$)	Cost per ton (\$/tCO ₂ eq)
Through 2020	1.96	27.2	\$13.92
Through 2030	3.07	66.6	\$ 21.66



How much REDD reduction?

- Average value of 2.5% of allowances: \$4 billion/year over the 2012 -2030 period
- UCS conservative estimate is this could reduce emissions by about 2 GtCO₂eq between 2012 and 2020
- The annual reduction from REDD in the year 2020 is equal to 13% of 1990 emissions (11% of 2005 emissions)
- If coupled with funding of clean technology development, this could boost the U.S. effective contribution to the lower end of the -25% to -40% range called for in Bali

Questions and comments?

