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Duke University

Standards for REDD+ Economic Mechanisms

Brian Murray
Director, Economic Analysis
Nicholas Institute for Environmental Policy Solutions
Duke University

Terrestrial GHGs and Climate Mitigation:
Developments in Science, Economics, & Policy
UN FCCC Conference of Parties 16 Side event

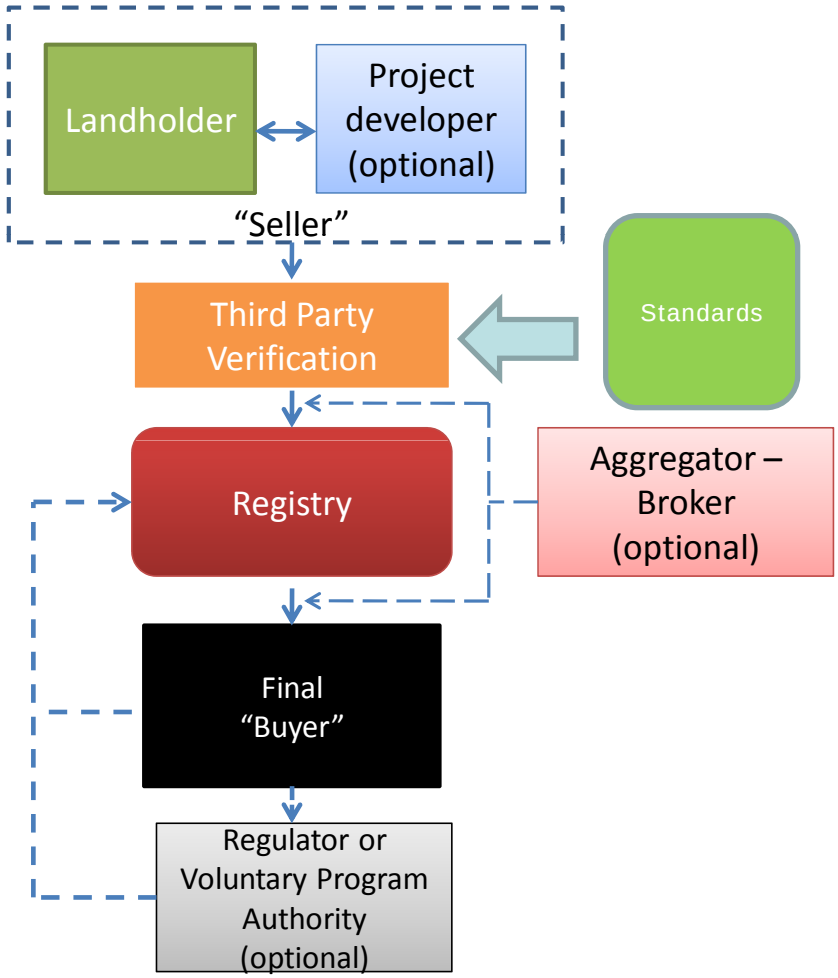
Cancun, Mexico
December 7, 2010

There are many economic mechanisms for REDD+

The focus here is on the carbon offset market

Forest Carbon Credit Chain of Custody

Credit Flow



Why standards?

- **Buyers** – need to know what they are buying
- **Sellers** – need to know what to sell
- **Overseers** – need to know that
  - An offset is an offset – reductions are real, permanent, and verifiable
  - Basic protections are upheld (environmental, social, governance, transparency,…)

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Many different standards

Current

VCS VOLUNTARY CARBON STANDARD

CLIMATE ACTION RESERVE

American Carbon Registry
American Carbon Registry®
Trusted solutions for the carbon market

The Gold Standard
Premium quality carbon credits

Plan Vivo
Improving livelihoods, conserving and restoring ecosystems

CCB Standards
The Climate, Community & Biodiversity Alliance

Potential

REDD+ standards need to wrestle with numerous complex issues

Who owns the Rights?

Measurement and Monitoring

Landsat, 1990

Landsat, 2000

R.H. Fraser[a,*], A. Abuelgasim[b], R. Latifovic[a] Remote Sensing of Environment 95 (2005) 414–427

Additionality

With project

globalcarbonproject.org

Without project

Mongabay.com

Or…

?

Leakage

Avoid Deforestation for agriculture in one place

Deforestation elsewhere for agriculture

(Im)permanence

Avoid Deforestation in Year 0

Deforestation delayed to Yr 5

Receive credits

Replace credits?

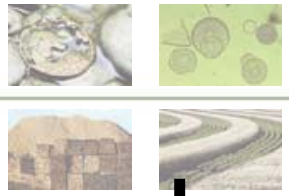
Time

How current standards deal with these issues

Issue	Approaches
Rights and benefits sharing	Legal and consultative requirements
Measurement and Monitoring	Technical requirements (tiered)
Additionality	Discrete additionality tests (legal, financial,…) Project baseline
Leakage	Local monitoring Estimation of market leakage
Permanence	Liability establishment (buyer, seller) Management provisions - financial guarantees/insurance - setaside requirements (buffers)

From the project to the jurisdictional level

- Voluntary market to date has focused on project level
- Kyoto Protocol/CDM rejected project-level REDD for many of the problems referenced above
- Current policy movement is toward jurisdictional accounting
  - UNFCCC: national
  - Calfornia: state
  - US (erstwhile) legislation – state -> national
  - Why?
    - Deals better with problems above, especially intrajurisdictional leakage



This doesn't mean the end of projects

- Top-down projects from the government
  - Projects are ~ subcontracts
  - Government takes responsibility for aggregate performance
- "Nested" projects
  - Finance still flows directly to subnational projects (not all through government)
  - Rationale: Investors prefer to deal with projects not governments
  - Project accounting must be reconciled with national accounting
  - Problems
    - Complicated
    - Risky: possibility of project losing credits because of extramural performance

Recent Developments

- **Voluntary markets**
  - Many REDD methodologies under review/approval by VCS, CAR, ACR,...
  - Independent initiatives
- **Compliance markets**
  - California – first compliance market for REDD anywhere
    - State-level accounting – Brazil, Mexico
  - US – stalled legislation has held back what would have been world's largest compliance market
  - UNFCCC – we shall see
- **Different vehicles**
  - Conventional government funds
  - Corporate Social Responsibility efforts/supply chain

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Emerging Topic

policy brief

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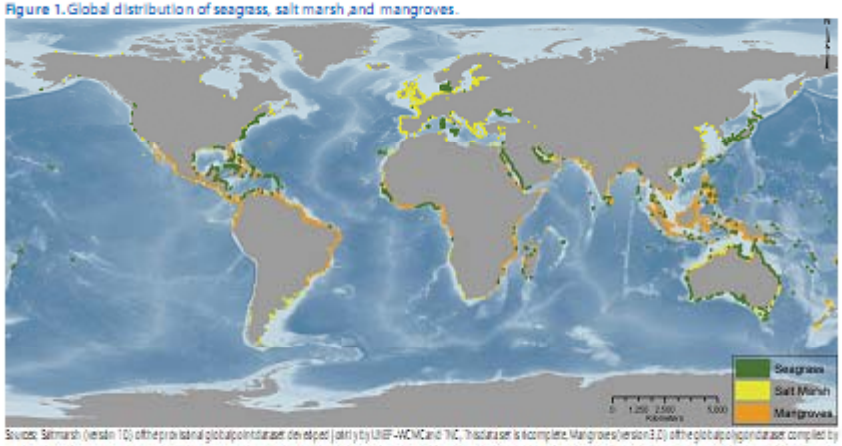
NI PB 10-05 | December 2010 | nicholasinstitute.duke.edu

Payments for Blue Carbon
Potential for Protecting Threatened Coastal Habitats

Brian C. Murray, W. Aaron Jenkins, Samantha Sifleet, Linwood Pendleton, and Alexis Baldera[1]
Nicholas Institute for Environmental Policy Solutions, Duke University

Coastal habitats worldwide are under increasing threat of destruction through human activities such as farming, aquaculture, timber extraction, or real estate development. This loss of habitat carries with it the loss of critical functions that coastal ecosystems provide: support of marine species, retention of shorelines, water quality, and scenic beauty, to name a few. These losses are large from an ecological standpoint but they are economically significant as well.[2] Because the value of these ecosystem services are not easily captured in markets, those who control these lands often do not consider these values when choosing whether to clear the habitat to produce goods that can be sold in the marketplace. This is a form of market failure that leads to excessive habitat destruction. As a result, scientists, policymakers, and other concerned parties are seeking ways to change economic incentives to correct the problem.

Figure 1. Global distribution of seagrass, salt marsh, and mangroves.



Sources: Saltmarsh (version 1.0) of the provisional global point dataset developed jointly by UNEP-WCMC and TNC. The dataset is incomplete. Mangroves (version 3.0) of the global polygon dataset compiled by UNEP World Conservation Monitoring Centre (UNEP-WCMC) in collaboration with the International Society for Mangrove Ecosystems (ISME), 1997. For further information, e-mail: spatialanalysis@unep-wcmc.org. Mangroves of Western Central Africa raster dataset processed from Landsat imagery, circa 2000. Compiled by UNEP World Conservation Monitoring Centre (UNEP-WCMC), 2006. For further information, e-mail: spatialanalysis@unep-wcmc.org. East African mangroves extracted from version 4.0 of the polygon dataset compiled by UNEP World Conservation Monitoring Centre (UNEP-WCMC), 2006. For further information, e-mail: spatialanalysis@unep-wcmc.org. Seagrasses (version 2.0) of the global polygon and point dataset compiled by UNEP World Conservation Monitoring Centre (UNEP-WCMC), 2005. For further information, e-mail: spatialanalysis@unep-wcmc.org