Peatlands and Forests in the Climate Architecture

Setting Incentives through the Carbon Markets and Enhanced Accounting
Bonn, 4 June 2015
Study Objectives

• Explore policy options to map and integrate greenhouse gas (GHG) sensitive interventions in peatlands and forests in the emerging UN and EU climate change architecture; and

• to create incentives for tapping into the vast emission reduction potential presented by both areas.
Work Package 1

• How did regulators so far address peatlands within the existing climate change architecture internationally?
• What level of support is granted to forests and peatlands in developing countries?
• What is the state of play of negotiations?
Work Package 2

• What are the options for strengthening interventions in forests and peatlands?
• What should be done to improve the accounting framework (UNFCCC)?
• How could finance and market mechanisms look like (UNFCCC)?
• What are the options at the EU level?
Work Package 3

• How strong are the options assessed on substance and process?
• Can they be prioritized?
• What are alternative (interim) scenarios to the UNFCCC level?
Findings: WP 1

- Reporting under the UNFCCC is patchy, often incomplete and little robust (in particular concerning organic soils)
- Accounting (under the Kyoto Protocol) is limited to Annex I countries, activity-based, tracking only some activities, and leaving others to the choice of Parties (voluntary accounting)
- Wetland Drainage and Rewetting (WDR) is the new kid on the block, however
- Mechanisms are mostly not available and, where they are, de facto not working
Findings: WP 2

• Reporting and Accounting (UNFCCC level)
  – Mandatory accounting WDR
  – Distinguish land-based emissions from other emissions associated with, but not bound to, land (e.g. fertilizers)
  – At the same time, take into account the interdependency between sectors and align, as much as possible, the land sector with other sectors (e.g. net-net accounting; natural disturbances with macro-economic shocks)
  – Reconfigure the concept of forest management
Findings: WP 2

• Incentive Mechanisms (UNFCCC)
  – LULUCF-specific compliance regime (with targets per country)
  – Expanded CDM / JI: WDR as project-category
    • Distinguish sequestration credits from emission reduction credits
  – WDR as part of new mechanisms
  – WDR-Based Sectoral Mechanism
  – REDD+(Peat) Mechanism
  – Peat Carbon Partnership
Findings: WP 2

• Incentive Mechanisms (EU)
  – Flexible Mechanism EU ETS
  – Flexible Mechanism Effort Sharing Decision
  – Flexible Mechanism LULUCF Compliance Framework
  – Creation of int’l WDR credit demand through public funding facility
  – Creation of int’l WDR credit demand through hybrid linkages (with e.g. Common Agricultural Policy, Renewable Energy Directive, other)
Findings: WP 3

• Evaluation

• Criteria
  – Environmental integrity
  – Fairness and inclusiveness
  – Institutional governance and transaction costs
  – Effectiveness / Market considerations
  – Political viability

• Weighing: high – medium – low
Findings: WP 3

- Some options are technically too complex (and expensive) to implement them, at least in the short term (e.g. mandatory reporting and accounting for all peatlands)

- A range of options score high on environmental integrity, even cost efficiency and governance, but are politically not viable (e.g. forest management / carbon-neutral harvested wood products)
Findings: WP 3

• Three measures stand out for a decent level of viability and their transformational nature:
  1. UNFCCC: Sectoral Peatland Approach
  2. EU: Inclusion of LULUCF in the Effort Sharing Decision coupled with a project mechanism that allows for WDR interventions
  3. Multilateral: Carbon Peat Partnerships
Peat Country Annex I

Sect Targets

• Baseline Validation
• MRV Support / Clearing
• Bilat'l or int'l Registry

Sub-National

Credits

Nested in issuing country’s sectoral target

Peat Country Non-Annex-I

Private Parties

Private Parties

Safeguards

Safeguards

www.silvestrum.com - info@silvestrum.com
Publication of a Working Paper

• http://www.dehst.de/DE/Service/Klimaschutz/functions/Moore.html

• More to follow later this year
Thank you!

Moritz von Unger
Partner
Silvestrum

moritz.von.unger@silvestrum.com