4th Meeting of the Myanmar REDD+ Task Force

Further information on issues to be taken into account in the negotiation of any bilateral initiatives related to emission reductions from forests

Report prepared by the UN-REDD Programme

Background

Decision 2/2 from the 2nd meeting of the Taskforce:

“Requested that the UN-REDD Programme should undertake a detailed analysis of the costs, risks and benefits of mixing multiple forest carbon schemes, compared with a “REDD+ only” scenario”.

Document 3/5, presented to the 3rd Meeting of the Taskforce, represented this analysis. The Taskforce debated the issues raised by the analysis, and reached Decision 3/3:

“The Taskforce requested the UN-REDD Programme to provide more information on the issues that need to be taken into account in the negotiation of any bilateral initiatives related to emission reductions from forests”

Further information is presented in this document.

Key issues

Document 3/5 analyzed the implications of engaging in multiple forest carbon initiatives from the perspective of Myanmar’s NDC commitments, adherence to the Paris accord, costs, and potential revenues. The key conclusions are reproduced below, with additional information provided.

1. Any bilateral forest carbon initiatives implemented in parallel with REDD+ which involve a transfer of title to forest emission reductions and involve the Government of Myanmar as the seller would make it harder to achieve emission reduction targets specified in the NDC, as those emission reductions for which title is transferred could then be reported by the other party.

   ➢ REDD+ does not involve the creation, nor the transfer of an asset (i.e., a tradeable emission reduction). All emission reductions achieved under REDD+ count towards Myanmar’s NDC targets, and can be used to claim results-based payments from the international community.

   ➢ In contrast, some bilateral (and multilateral, e.g., FCPF Carbon Fund, voluntary carbon market) mechanisms involve the creation and transfer of an asset – a unit of forest emission reduction, or equivalent.

   ➢ Once the asset is transferred to the bilateral (or multilateral) partner, it belongs to that partner, which can use the asset to report against their NDC commitments. Since Article 4, paragraph 13 of the Paris Agreement commits Parties to avoid double counting of emission reductions (and assuming the purchaser is also a Party to the UNFCCC), the emission reduction achieved by Myanmar cannot be reported by Myanmar.

   ➢ This makes it harder for Myanmar to achieve its NDC targets. There is no direct penalty for failure to meet NDC targets. However, failure to meet targets if most other Parties are meeting theirs would reflect poorly on Myanmar’s reputation under the UNFCCC.
2. Bilateral (and multilateral) forest carbon mechanisms use methods for calculating emission reductions and an emissions “baseline” that are similar to, but usually differ to some degree from those used under REDD+. The need to avoid double counting of emission reductions by Parties to the UNFCCC means that emission reductions achieved under REDD+ and the bilateral mechanism need to be reconciled, which would incur additional costs.

➢ Emission reductions achieved under REDD+ are calculated by Myanmar’s National Forest Monitoring System, based on the latest IPCC best practice guidance, and compared against emissions recorded in its FREL (or FRL).

➢ While most bilateral mechanisms use similar methodologies, there are usually some differences. These apply particularly for:

   o The calculation of the “baseline”, for which bilateral rules are usually more restrictive than under REDD+ (for example, limiting reductions to those only achieved from reduced deforestation, and not allowing any adjustments for national circumstances).

   o The “scale” of the initiative. Whilst REDD+ is national in scale, many other mechanisms use sub-national, project-based approaches.

➢ At the very least, even if the methodology of the bilateral mechanism is very similar to that used for REDD+, there would be a requirement to establish a “registry” to record how emission reductions were claimed under the different mechanisms. This would incur additional costs over a “REDD+ only” scenario.

➢ The costs of establishing and maintain a registry are likely to be minor, but the costs of reconciling emissions calculated under different methodologies may be significant, depending on the magnitude of differences between the mechanisms. This is especially significant if the bilateral mechanism uses a different scale for its implementation, since the national-level results calculated under REDD+ would need to be broken down and assigned to different geographic units, which is a potentially costly exercise and also one that can lead to conflict if the emission reductions assigned to different geographic units are perceived by stakeholders to be inaccurate or unfair.

3. The potential to increase revenues from forest emission reductions depends on the relative prices paid under REDD+ and the bilateral (or multilateral) mechanisms.

Currently the Green Climate Fund is paying $5/tonne of emissions reduction under its REDD+ results-based payments pilot, although the volume of reductions for which payment is made may be discounted depending on the quality of documentation provided (there is a scorecard to rate different aspects of the submission from any Party, under which the reported volume of emission reductions may be discounted if weaknesses are captured by the scorecard).

Most other bilateral (and multilateral) mechanisms pay similar prices. For example, recent prices for forest carbon on the voluntary market are $5/tonne, although this includes re-sales which usually command higher prices. However, most mechanisms also involve either discounts or the establishment of buffers to account for uncertainty or the risk of reversals, which may reduce the total volume of reductions for which payment is made.

Since, under the Paris Accord, emission reductions cannot be claimed twice, at least for transactions involving Parties to the UNFCCC, total revenues under a “REDD+ only” scenario and a mixed scenario
would depend on unit prices and the volume of discounts or buffers under the different mechanisms. Most likely, differences in total revenue would be minor.

4. **The timing of receiving revenues is difficult to predict.**

- Even if there is likely to be little difference in revenues under a “REDD+ only” scenario and a mixed scenario, there could be benefits in the mixed scenario if results-based payments were to flow more rapidly than under REDD+, since this could build confidence in the viability of forest emission reductions as a source of revenue.

- There is little international experience thus far to be able to compare the speed of revenue flows under REDD+ and other mechanisms. The Green Climate Fund results-based payments pilot is expected to start making payments in 2022 or 2023. Therefore, the benefit of operating under a mixed scenario would require revenues under the alternative mechanisms to be received before 2022-3.

- Experience from other countries suggest that, given the current status of negotiation of bilateral mechanisms in Myanmar, this is unlikely. For example, Cambodia has been negotiating under Japan’s Joint Crediting Mechanism (JCM) for two years. Even learning lessons from Cambodia means that a JCM agreement with Myanmar is unlikely before 2020, and results-based payments would not flow for several years thereafter.

5. **Transactions of forest emission reductions that do not involve Parties to the UNFCCC are not affected by Article 4 of the Paris Accord.** Myanmar could still include such reductions in reports to the UNFCCC.

- For example, any voluntary carbon market project involving a non-governmental entity as the seller of the emission reduction credits – e.g., a Myanmar NGO, a legal entity representing a community, or a Myanmar private sector entity – would not be subject to the obligation to avoid double counting of emission reductions.

- However, any purchaser of such credits would demand evidence that the seller is the legal owner of the asset. Given the terms of the 2008 Constitution, this would probably require the passage of a “Carbon Rights” law, which would be costly and time-consuming.

**Conclusions**

a) The default assumption if engaging in multiple forest carbon mechanisms should be that total revenues from emission reductions will not differ from those under a REDD+ only scenario. Revenues would only increase if the unit price paid under non-REDD+ mechanisms were higher (or the discounts/buffers smaller).

b) Costs of engaging in multiple forest carbon mechanisms would certainly be higher. The magnitude of the additional costs depends on the extent to which the methodologies (carbon accounting and scale of intervention) differ from REDD+.

c) Therefore, net financial returns under a mixed scenario are likely to be lower than under REDD+ only, unless unit prices are significantly higher.
d) Engaging in bilateral mechanisms under which both parties are also Parties to the UNFCCC, and which involve a transfer of title, would make it harder for Myanmar to meet its NDC targets.

e) Voluntary market projects not involving the GoM as a party would be exempt from many of the issues described above, but would involve additional complexities related to carbon rights.