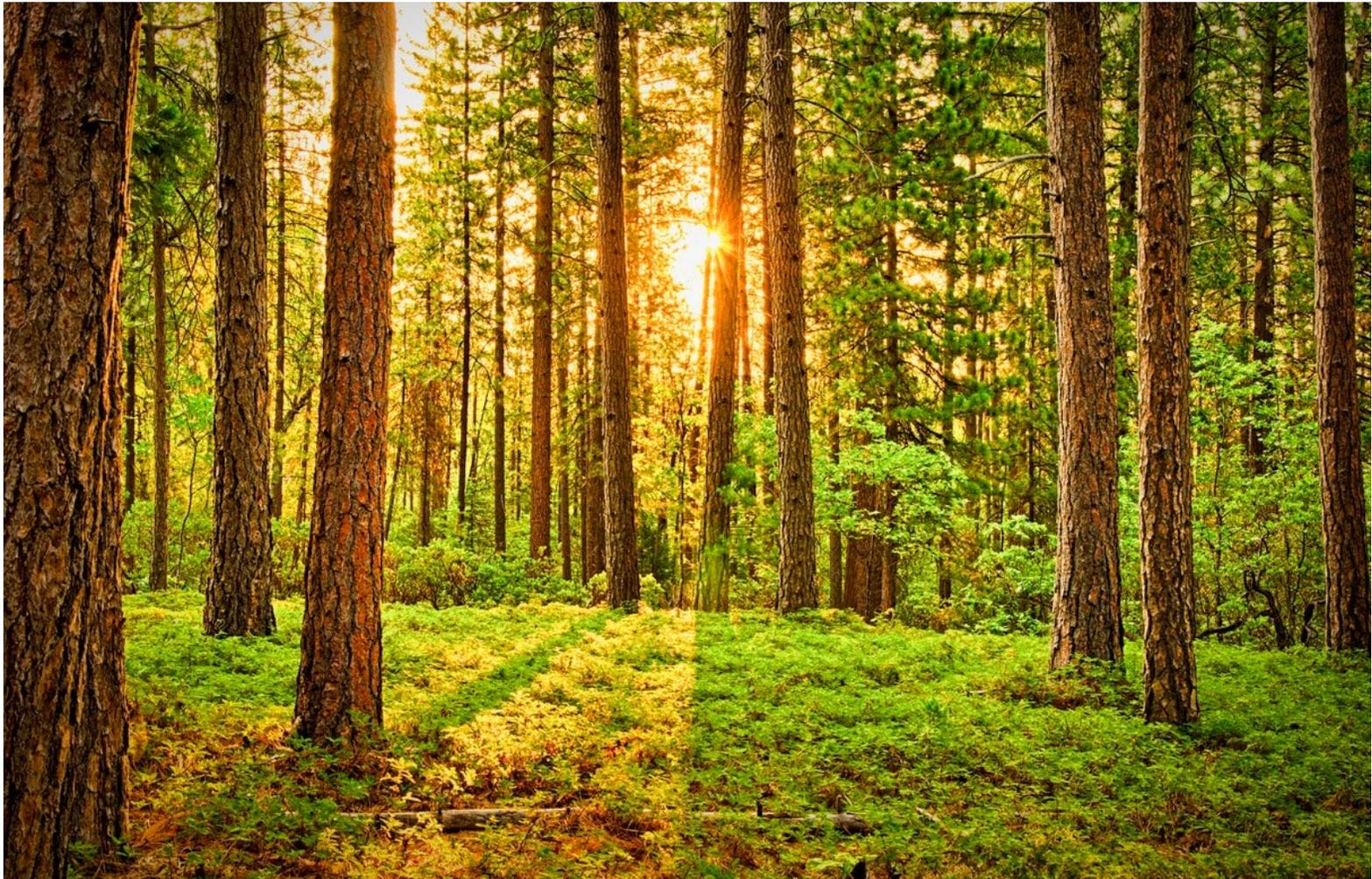


INTERNATIONAL MITIGATION PARTNERSHIPS FOR FORESTS

An Architecture of Cooperative Approaches Under Article 6
of the Paris Agreement | July 2019

By [Peter Graham](#) and [Diana Movius](#)



CLIMATE
ADVISERS

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Executive Summary

The world is falling dangerously short of Paris Agreement's goal of limiting warming to 2 degrees Celsius. The recent Emissions Gap Report and IPCC Special Report on 1.5 Degrees show that deep reductions—up to 50 percent less than 2017 global emissions – are needed by 2030. With only 12 years to accomplish this, this is no easy feat. Countries must harness every tool in the Paris Agreement to lower emissions, and planning should begin now. As part of countries' implementation of the Paris Agreement, **natural climate solutions** and **cooperative approaches** offer two important tools for mitigation action that can greatly lower the emissions gap by 2030.

Cooperative approaches: As a new international climate framework, Article 6.2 of the Paris Agreement allows countries to develop direct cooperation arrangements to help achieve ambitious mitigation targets. Referred to in this paper as **International Mitigation Partnerships**, such cooperation would comprise joint efforts between or among developed and developing countries undertaken as action under the Paris Agreement; these combined efforts would result in greater mitigation overall compared to individual countries acting entirely on their own.

Natural climate solutions: Recent analysis shows that harnessing mitigation opportunities in the forest and land sector – referred to as "natural climate solutions" or "nature-based solutions" – could deliver up to 37 percent of the climate solutions needed by 2030.¹ Analysis of marginal abatement costs shows that natural climate solutions are among the lowest cost mitigation strategies.² With 2030 as a major benchmark year for emissions reductions and removals globally, harnessing the full potential of nature-based solutions is time-sensitive.

In this paper, we suggest policy structures to leverage Article 6 and natural climate solutions through international cooperation between two or more countries. We provide a guide for designing cooperative approaches through International Mitigation Partnerships using forests as the example.

- We identify a typology of forms for International Mitigation Partnerships to assist both developed and developing countries in designing new mitigation partnerships.
- We show how cooperating through International Mitigation Partnerships for forests can contribute to raising individual ambition to achieve the global, long-term temperature goals of the Paris Agreement.
- We also demonstrate how International Mitigation Partnerships focused on forests could support parties in areas beyond climate, such as strengthening regional and economic cooperation, achievement of Sustainable Development Goals, and conservation of biological diversity.

As proposed here, International Mitigation Partnerships for forests would be mutually and globally beneficial, harnessing the potential of natural climate solutions to enable us to meet the long-term temperature goal of the Paris Agreement, while also contributing to a variety of social, environmental, and economic needs.

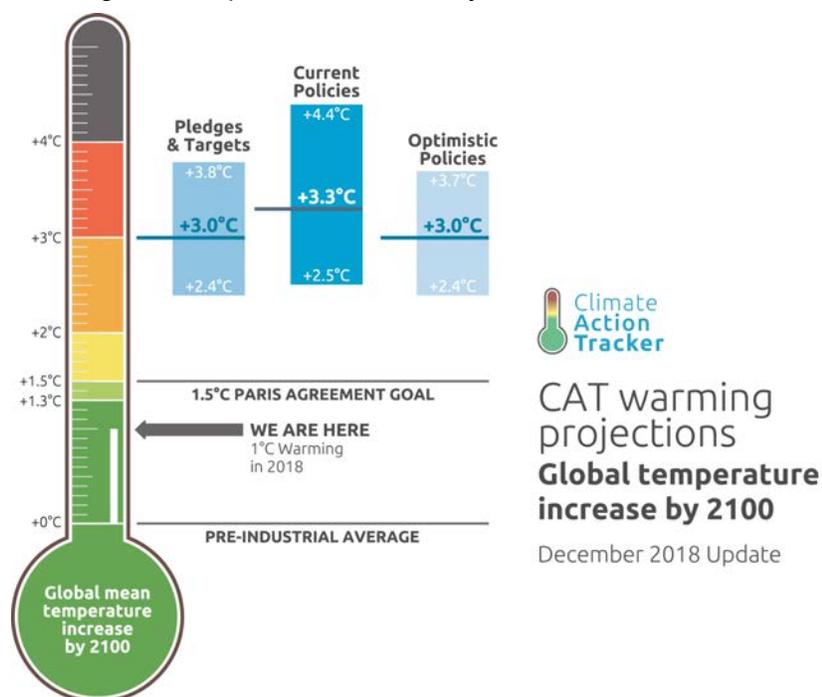
¹ Griscorn et al., 2018. Natural Climate Solutions. Proceedings of the National Academy of Sciences. Available at <https://www.pnas.org/content/114/44/11645>

² McKinsey & Company. (2013). Pathways to a Low Carbon Economy: Version 2 of the Global Greenhouse Abatement Cost Curve. <http://www.mckinsey.com/business-functions/sustainability-and-resource-productivity/our-insights/pathways-to-a-low-carbon-economy>

1. A course correction is needed to achieve the goals of the Paris Agreement; it's time to prioritize international cooperation on forests

Under the historic Paris Agreement of 2015, all countries have a role in combatting global climate change. Countries are required to describe and quantify their roles through Nationally-Determined Contributions (NDCs), which are communicated to the United Nations Framework Convention on Climate Change (UNFCCC). These NDCs are determined based on countries' own climate strategies, policies, regulations and other measures, and demonstrate their level of ambition to respond to the climate challenge. Unfortunately, the latest science shows³ that, without additional mitigation efforts, the aggregate impact of current NDCs put the earth on a trajectory to exceed 3.0°C of warming over pre-industrial levels by 2100 (Figure 1). The 2018 UN Emissions Gap Report⁴ and IPCC Special Report on 1.5°C⁵ show that deep reductions—up to 50 percent less than 2017 global emissions – are needed by 2030 if we are to have a chance at limiting warming to 1.5°C.

Figure 1. Projection of global temperature increase by 2100. Climate Action Tracker 2018.



A course correction is urgently needed: the world needs greater mitigation overall across all sectors. Countries must find pragmatic ways to achieve, surpass, and ultimately raise their NDCs and thereby raise global ambition. As a precursor to this paper, Climate Advisers published a paper that proposes options for structuring NDCs to raise ambition in the near-term: ***How Contingent International Contributions (CICs) can Enhance Climate Ambition: International Cooperation***

³ Climate Action Tracker. December 2018 Update. Available at: <https://climateactiontracker.org/global/temperatures/>. Accessed 25 January 2019.

⁴ UN Emissions Gap Report 2018. Available at: <https://www.unenvironment.org/resources/emissions-gap-report-2018>

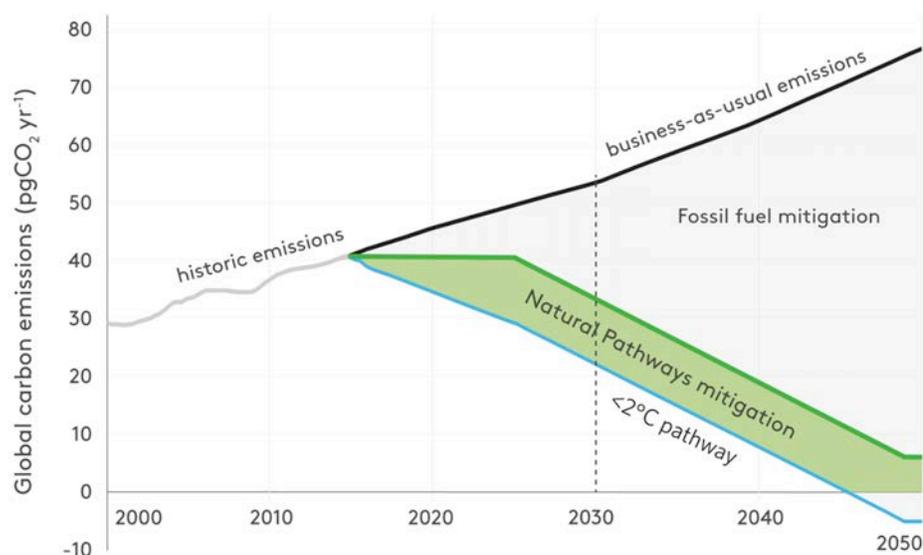
⁵ IPCC Special Report on Global Warming of 1.5 °C. Available at: <https://www.ipcc.ch/sr15/>

to Achieve the Goals of the Paris Agreement.⁶ This paper describes the ways in which such international contributions can be structured, with a focus on mitigation partnerships for forests.

Natural climate solutions can deliver at least 30 percent of climate emissions reductions and carbon sequestration needed through 2030.⁷ Further, estimates of marginal abatement costs of a wide range of mitigation options show that natural climate solutions are among the lower-cost mitigation strategies.⁸ Natural climate solutions include avoiding deforestation, conserving and enhancing forests, grasslands, wetlands and other terrestrial and coastal ecosystems, afforestation and restoration of forests and agricultural lands, reducing emissions from food and agriculture systems, adopting healthier diets, reducing food waste, and other activities. The world needs to find ways, such as through International Mitigation Partnerships, to harness the mitigation potential from natural climate solutions in order to put the world on track by 2030.

“Natural climate solutions can provide 37% of cost-effective CO₂ mitigation needed through 2030 for a >66% chance of holding warming to below 2 °C. One-third of this cost-effective natural climate solution mitigation can be delivered at or below 10 USD per MgCO₂.”
Griscom et al., 2018.⁹

Figure 2: Natural Climate Solution mitigation pathways, from Griscom et al, 2018.



⁶ Graham and Movius. Climate Advisers, 2019. How Contingent International Contributions (CICs) can Enhance Climate Ambition: International Cooperation to Achieve the Goals of the Paris Agreement. Available at: <https://www.climateadvisers.com/wp-content/uploads/2019/04/Climate-Advisers-Contingent-International-Contributions-May-2019.pdf>

⁷ Griscom et al., 2018. Natural Climate Solutions. Proceedings of the National Academy of Sciences. Available at <https://www.pnas.org/content/114/44/11645>

⁸ McKinsey & Company. (2013). Pathways to a Low Carbon Economy: Version 2 of the Global Greenhouse Abatement Cost Curve. Available at: <http://www.mckinsey.com/business-functions/sustainability-and-resource-productivity/our-insights/pathways-to-a-low-carbon-economy>

⁹ Griscom et al. 2018.

Despite the strength of the arguments for investing in natural climate solutions at scale, the forest and land sector has received only two percent of total climate finance.¹⁰ As discussed next, **using the cooperative approaches under Article 6 offers a policy solution to channel more funding to REDD+ and other natural climate solutions to harness the mitigation potential of natural climate solutions.**

Article 6 of the Paris Agreement recognizes that Parties may choose to pursue voluntary cooperation in the implementation of their NDCs to help raise ambition. It contains three distinct approaches to voluntary cooperation:

- **Article 6.2 and 6.3:** Cooperative arrangements established between or among countries which involve internationally transferred mitigation outcomes (ITMOs) from a host country, which can be used by another country to help meet its NDC, and without a centralized UNFCCC governing mechanism;
- **Articles 6.4 – 6.7:** A new mechanism for mitigation and sustainable development (referred to by some parties as the Sustainable Development Mechanism) allows for emissions reductions achieved by the host country to be used by another country to help meet its NDC, centrally governed by a body designated by the Conference of the Parties (COP) to the UNFCCC;
- **Articles 6.8 and 6.9:** A framework for non-market approaches, established independently by countries without a centralized UNFCCC governing mechanism.

We use the term **International Mitigation Partnerships** to refer to any of the approaches described under Article 6. Despite some uncertainty about the result of current negotiations, there is sufficient clarity to move forward with the design of International Mitigation Partnerships on forests (under Article 6.2).¹¹ At the time of writing, negotiations to develop additional rules and guidance for operationalizing these approaches are ongoing under the UNFCCC. However, overarching conditions are included in the Paris Agreement, such as environmental integrity, transparency, and avoidance of double counting as specified in Article 6.2. **In addition, an understanding of the variety of forms of partnerships that will be needed to operationalize Article 6 should inform the outcome of negotiations.**

In section 2, we present a typology for International Mitigation Partnerships for forests, in recognition of the need to take into account different national circumstances and interests that need to be accommodated in such partnerships. The bulk of the proposed structures for International Mitigation Partnerships for forests relate to Articles 6.2 and 6.8. (While it is possible that some REDD+ activities could be incentivized through the Article 6.4 mechanism, there is less clarity in this approach at this time.)

Article 5 of the Paris Agreement provides an additional foundation for including natural climate solutions inclusive of REDD+ in International Mitigation Partnerships. It highlights the importance of reducing emissions from deforestation and enhancing sinks and reservoirs and encourages collaboration between countries to support such efforts by developing countries. It refers to the 2013

¹⁰ New York Declaration on Forests Progress Assessment, 2018. Available at: <http://forestdeclaration.org/goal/goal-8/>

¹¹ Graham, Peter. Climate Advisers, 2017. Cooperative Approaches for REDD+: Linking Articles 5 and 6 of the Paris Agreement. Available at: <https://www.climateadvisers.com/cooperative-approaches-for-supporting-redd-linking-articles-5-and-6-of-the-paris-agreement/>

Warsaw Framework for REDD+^{12,13} that ensures the validity of reported reductions and adherence to social and environmental safeguards, and it provides most of the rules, guidance, and structural elements that would be needed when designing a cooperative approach for forest sector mitigation, in line with Article 6 of the Paris Agreement.^{14,15}

International Mitigation Partnerships for forests would help to harness the potential of the forest and land sector to accelerate progress towards the Paris two-degree goal. As detailed in Section 2, we suggest potential structures of such International Mitigation Partnerships based on analysis of previous examples of international cooperation on forests. Further, such partnerships would have important environmental, social, and political co-benefits, as detailed in Section 3. Given the scale and urgency of the challenge we now face, we need to use all the tools provided by the Paris Agreement, including the voluntary approaches under Article 6 to accelerate and scale-up natural climate solutions.

2. A Typology of International Mitigation Partnerships for Forests

Experience over the last fifteen years in developing and implementing REDD+ programmes can inform the design of International Mitigation Partnerships on forests under Article 6.

Numerous partnerships on forests have been supported through bilateral and multi-lateral funding initiatives:

- The Norwegian International Climate and Forest Initiative (NICFI) and Germany's REDD Early Movers initiative invest through bilateral arrangements with host countries;
- The Forest Carbon Partnership Facility (FCPF), a multi-lateral initiative managed by the World Bank, is supporting 'REDD+ readiness' activities in forty-seven developing countries and piloting Emission Reduction Payment Agreements with a subset of those countries;¹⁶
- Another multi-lateral initiative, the BioCarbon Fund's Initiative for Sustainable Forest Landscapes, is supporting similar efforts, but encompassing the agriculture sector within the country programmes.¹⁷

These initiatives represent types of cooperative approaches for forest sector mitigation that could be considered within the post-2020 context of Article 6. Such **International Mitigation Partnerships for forests could marry the mitigation potential of forests with the opportunity for innovation and cooperation under Article 6.2.**¹⁸

Based on experiences and lessons learned with current REDD+ programmes and initiatives, the architecture of the Paris Agreement, and the country-specific factors that would influence the design

¹² REDD+ stands for Reducing Emissions from Deforestation and forest Degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

¹³ Warsaw Framework for REDD-plus. United Nations. Available at: <https://unfccc.int/topics/land-use/resources/warsaw-framework-for-redd-plus>

¹⁴ Graham, Peter. Climate Advisers, 2017. Cooperative Approaches for REDD+: Linking Articles 5 and 6 of the Paris Agreement.

¹⁵ Streck, Charlotte, Howard, Andrew, and Rajão, Raoni, 2017. Options for Enhancing REDD+ Collaboration in the Context of Article 6 of the Paris Agreement. Meridian Institute.

¹⁶ Forest Carbon Partnership. Available at: <https://www.forestcarbonpartnership.org/>

¹⁷ BioCarbon Fund. Available at: <https://www.biocarbonfund-isfl.org/>

¹⁸ As previously noted, non-market approaches under Article 6.8 can and do support REDD+ objectives, but we focus here on market-based approaches under 6.2 as it presents both unique opportunities and challenges.

of cooperative approaches under Article 6, we present a typology of potential International Mitigation Partnerships for forests in the post-2020 context. In the case of voluntary approaches to incentivize forest sector mitigation in developing countries (REDD+), the partnership arrangements could include bilateral or multi-lateral cooperative efforts between developed and developing countries, consistent with ITMO and/or non-market arrangements. For example, an International Mitigation Partnership could be structured to provide a combination of technical support and transfer and up-front finance to build capacity and achieve emissions reductions (an Article 6.8 approach), as well as an agreement to transfer mitigation outcomes among parties in exchange for payment.

Core elements of the typology include:

- **Type of “benefit” obtained:** In exchange for a payment, the benefit to the payer could be receipt of a tradable emission reduction credit, a non-tradable emission reduction credit, or a simple recognition (e.g. a certificate) of contribution to the host country’s emissions reductions or removals.
- **Sources and forms of demand:** A national government seeking to purchase international emissions reductions to help meet its NDC; or to provide additional, cost-effective flexibility to its regulated emitters through an emissions trading system; or to contribute to raising ambition beyond domestic limits; or to meet a specific target for natural climate solutions.
- **Sources and forms of supply:** A country may be willing to transfer achieved emissions reductions from REDD+ activities in exchange for foreign investment and/or other support for economic development.
- **Roles of institutions:** These include government, subnational or non-state actors, and those that ensure environmental integrity and quality of verified emissions reductions or removals

In short, the typology describes the various forms that International Mitigation Partnerships may take, with a focus on REDD+, and can be adapted to suit the national circumstances, priorities, and current interests of the partner countries.

The context of the Paris Agreement means that any of these arrangements would be subject to rules developed under the Paris rulebook, including the avoidance of double counting of emissions reductions (e.g., ensure only one party counts an emission reduction towards its NDC).

2.1 Approach 1: Simple Recognition of Results

2.1.1 Characteristics

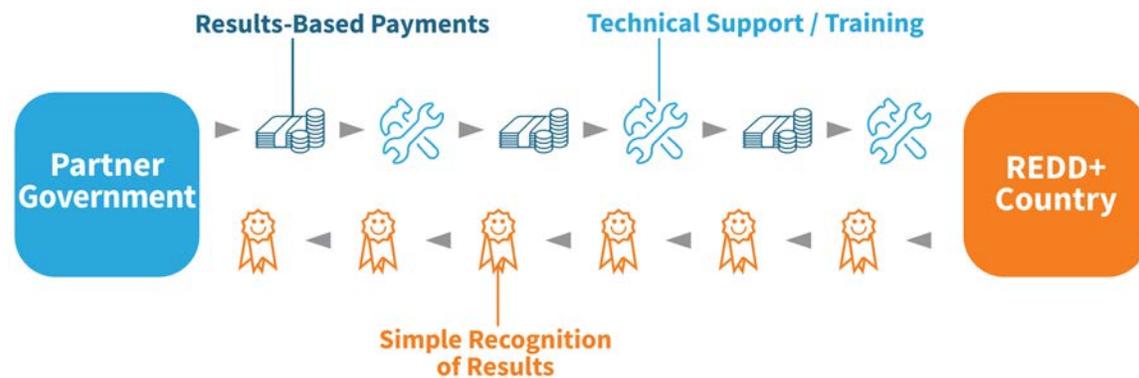
The Simple Recognition of Results approach may also be described as performance-based bilateral aid. In the context of forests, the main purpose of this type of cooperation is to incentivize the host country to successfully implement REDD+ activities. The primary incentives are payments based on results achieved, measured in tonnes of CO₂e and consistent with the Warsaw Framework for REDD+. In these arrangements, the source of finance usually comes from national government budgets, typically from donor countries who report the payments as public climate finance.

Key aspects of this approach include:

- **Bilaterally-negotiated arrangement:** A bilateral agreement to transfer funds based on emissions reductions achieved from REDD+ activities. The negotiated deal includes basis for payment, quality, quantity and time period.

- **Investment in host country's NDC:** All emissions reductions count toward the host country's NDC, but may be paid for by the partnering country.
- **International recognition:** The donor country receives international recognition of its contribution to funding a certain amount of emissions reductions. It is important to note that this is recognition without transfer of title, ownership of emission reduction credits, or of accounting results.

Simple Recognition of Results



2.1.2 Example: Norway-Brazil MOU

Announced at the Bali Climate Conference in 2009, the Norway-Brazil MOU represented the first major bilateral partnership for REDD+, with funds disbursed to Brazil based on measurable reductions in its deforestation rate. Norway receives certificates of contribution to Brazil's REDD+ results. Norway completed its first 1 billion USD commitment to Brazil's Amazon Fund in 2015, pursuant to the falling rates of deforestation from 2008 to 2014. The Brazilian government set up the Amazon Fund as a vehicle to receive the funding; it then redistributed a portion of the funding for local grants to organizations and states to undertake projects to reduce deforestation. Later, when internationally agreed rules and guidance for results-based payments for REDD+ were finalized in the Warsaw Framework for REDD+, Norway and Brazil updated the MOU to reflect the agreed-upon components of results-based payments for REDD+.

The Norway-Brazil case is, in essence, a non-market arrangement for climate finance that might also be considered as an approach under Article 6.8 of the Paris Agreement. To turn this type of arrangement into a market-based arrangement with ITMOs (Article 6.2 approach), the simplest amendment would be to include in the bilateral agreement the right for each Party to account for a volume of emissions reductions (or percentage of the total) based on monitoring, reporting and verification of results of the REDD+ activities, but without the transfer of ownership of the underlying emissions reductions. Through such an arrangement:

- Norway could account for its allotment of ITMOs against its NDC, but without the right to transfer the individual emission reduction credits created in Brazil to another party.
- Brazil would make a corresponding adjustment to its NDC accounting to avoid double-counting those reductions which were transferred to Norway as an accounting allotment.

2.1.3 Considerations

A challenge with this approach is that the donor government's engagement under the agreement is limited to ex-post provision of payments based on results achieved. This approach relies on the host country to fund the implementation of the REDD+ activities on its own, or to seek up-front financial and technical support, as needed, from other sources. When Brazil's deforestation rate rose again in 2015 and 2016, sparking concern of an upward trend, Norway issued a warning that their financial assistance would cease if Brazil did not show further progress in reversing its rising deforestation rate.¹⁹

2.2 Approach 2: Bilateral Credit Transfer

2.2.1 Characteristics of Credit-Based Bilateral Approach

In a Credit-Based Bilateral approach, the 'buyer country' may foresee a need to rely on a certain volume of international credits to meet its NDC. Similarly, the buyer country may need to provide flexibility to its regulated emitters (such as states or power plants). Lastly, the buyer country may wish to purchase emissions reductions achieved abroad beyond its NDC to contribute to raising ambition and 'closing the gap'; this could comprise a "Contingent International Contribution" as described in the accompanying Climate Advisers' paper in this series.²⁰ A 'seller country' may be willing to transfer all or a portion of achieved emissions reductions from REDD+ activities in exchange for a simple purchase, foreign investment and/or other support for economic development.

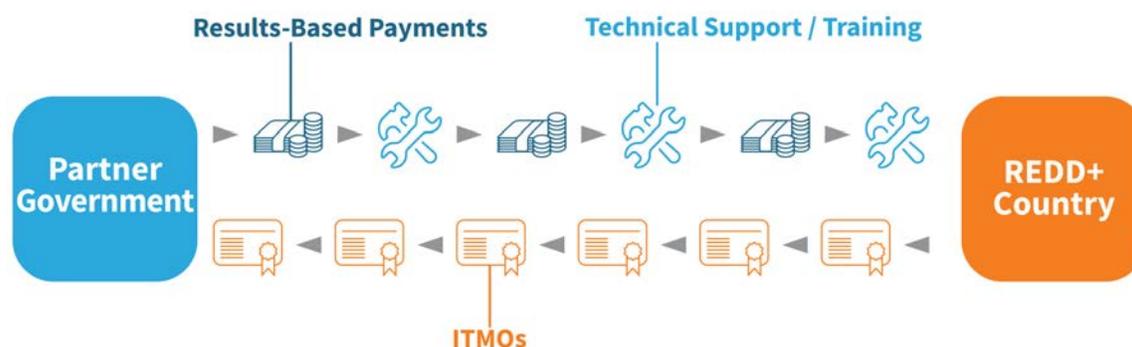
Key aspects of this approach include:

- Linking supply and demand for REDD+ credits between two countries, in the context of their NDC or other compliance obligations.
- The volume of emissions reductions (ERs) from the developing country's REDD+ program that it allows to be transferred internationally could count toward an acquiring country's NDC, according to the terms of the agreement and ensuring no double counting.
- The partnership could extend beyond transfer of emissions reductions. The two countries would agree on a partnership to implement REDD+ at scale.
- Other elements could include capacity building, such as technical assistance in the forest inventories or MRV systems needed to implement REDD+.
- This approach could enable linkage to subnational governments (e.g., states and provinces).
- This approach could also enable linkage to private sector demand, such as by the aviation industry.

¹⁹ Carrington, Damian. "Norway issues \$1bn threat to Brazil over rising Amazon destruction." *The Guardian*. June 22, 2017. Available at: <https://www.theguardian.com/environment/2017/jun/22/norway-issues-1bn-threat-brazil-rising-amazon-destruction>

²⁰ Graham and Movius. Climate Advisers, 2019

Bilateral Transfer Agreement- Example 1



2.2.2 Example: Japan's Joint Crediting Mechanism (JCM)

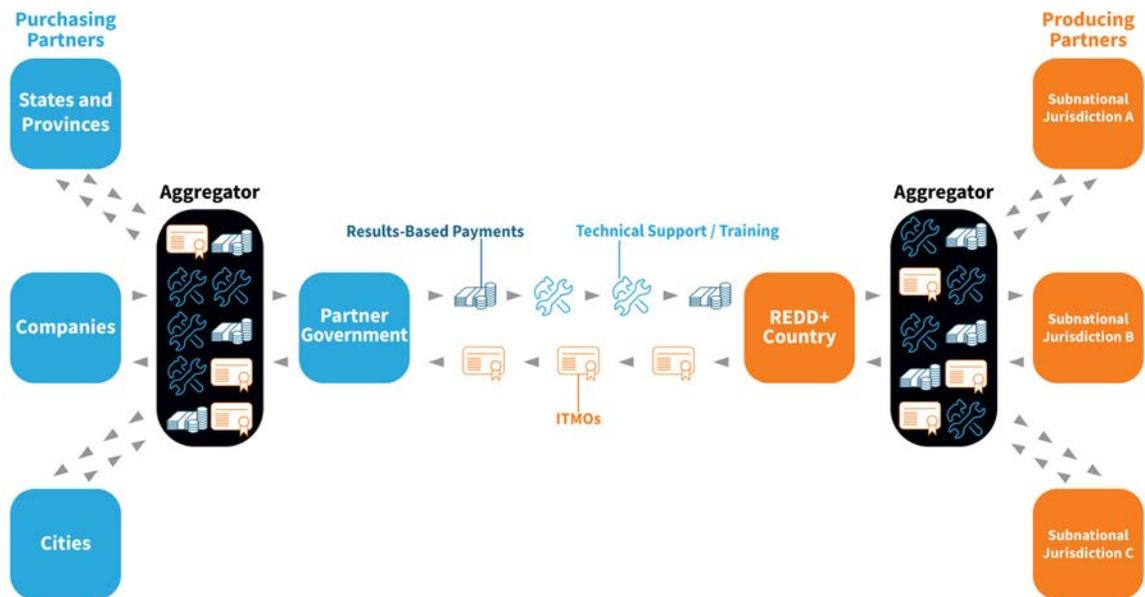
Japan's Joint Crediting Mechanism (JCM) is a form of technical assistance and crediting that included mobilizing Japanese technologies to countries abroad. Japan essentially invested in these countries' ability to achieve mitigation with the expectation of receiving emissions reductions credits to apply to Japan's Kyoto Protocol target. Japan foresaw challenges in meeting its domestic target alone, and therefore created this flexible mechanism to bring in additional reductions. Japan describes JCM as "contributing to the diffusion of low carbon technologies."²¹ Japan is transparent in stating that "under the JCM, Japan will evaluate its contributions to GHG emission reductions or removals quantitatively and use them to achieve Japan's emission reduction target."²² The Japanese government is currently planning to use some of the emissions reductions and/or removals achieved through the JCM towards its NDC.

In our typology, this is referred to as a Credit-Based Bilateral approach. An approach like the JCM, in the context of Article 6 in the post-2020 climate regime, would help a country meet its NDC target. The context of the Paris Agreement means that any Credit-Based Bilateral approach would be subject to rules developed under the Paris rulebook, including the avoidance of double counting and corresponding adjustments.

²¹ Joint Credit Mechanism. Ministry of Foreign Affairs of Japan. November 1, 2018. Available at: https://www.mofa.go.jp/ic/ch/page1we_000105.html

²² Ibid.

Bilateral Transfer Agreement- Example 2



For example, the Government of Japan has an agreement under the JCM to pursue a REDD+ agreement in Cambodia, and the resulting emissions reductions will be divided between the two parties. While funding will come primarily from a private sector partner, the Government of Japan is expending budget resources to negotiate the agreement with Cambodia and ensure that it operates in accordance with the Warsaw Framework for REDD+ and related UNFCCC decisions and guidance. Cambodia is considering channeling payment for the emissions reductions achieved to a range of implementing partners, including individual project developers.

2.2.3 Considerations

This type of cooperative arrangement highlights the elements that enable subnational actors to engage directly in the IMP in the creation and transfer of emission reduction credits – on the supply side and/or the demand side. In that context, it presents an opportunity for the creation or use of a ‘clearing-house’ or aggregating entity that facilitates the transactions, allowing subnational actors direct access, while also having the potential to serve regulatory functions, such as managing insurance reserves or buffer pools. The Swiss government has created a system that resembles this type of arrangement.

2.3 Approach 3: Multi-lateral Partnership

2.3.1 Characteristics

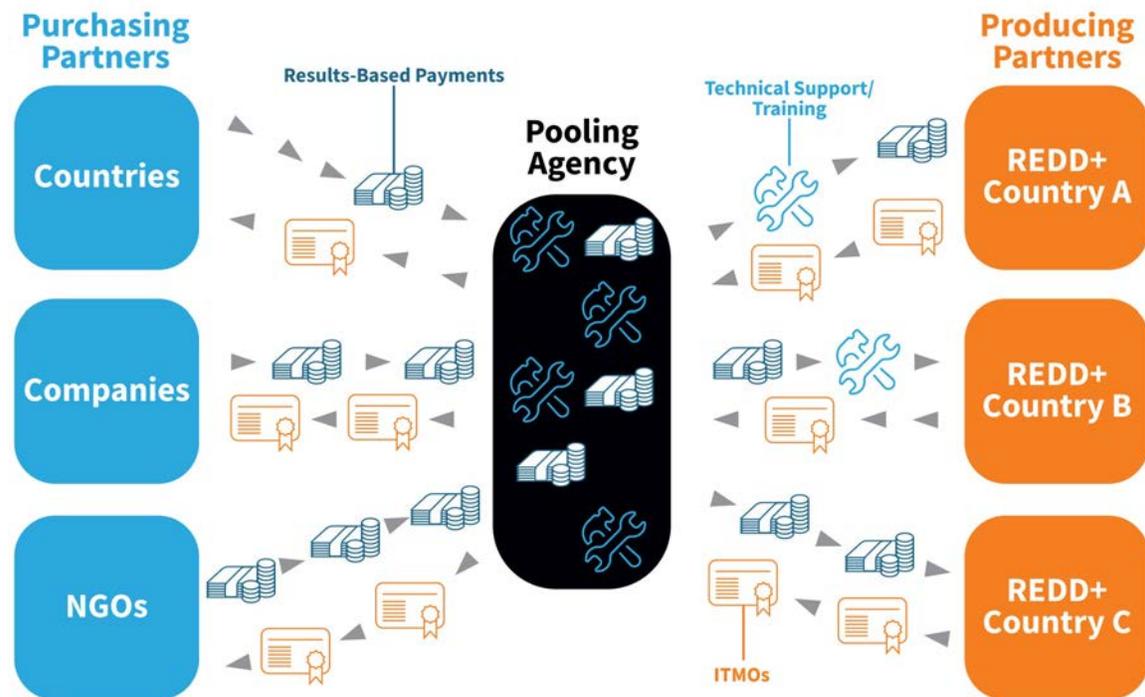
A Multi-lateral Partnership approach allows donors and partners to share risk and centralized management of funds to support, and/or pay for results of, REDD+ activities. Key aspects of this approach include:

- **Pooled demand:** Demand and supply are pooled and therefore have the benefit of economies of scale. The pool creates a larger, predictable demand for transferable emission reduction credits resulting from REDD+ actions.
- **Aggregator:** Credits are transferred to an aggregator (the trustee) that purchases the credits on behalf of the buyers according to pre-defined terms, creating a pool of credits. Buyers then acquire the credits from the trustee for purposes of accounting towards their NDCs, directly or through selling into a compliance market.

The aggregator has several important functions:

- **Legal Intermediary:** IMP is signed between each party and the pool itself, not between parties.
- **Aggregator:** Pool determines payment, quality, quantity, and time period.
- **Allocation:** System of allocation of resulting ER's is required via proportional return based on upfront investment, or other custom system.
- **Registry:** The trustee develops and maintains a registry.
- **Risk management:** Pooled approach minimizes risk through a portfolio method.

Pooled Demand Structure



2.3.2 Example: Forest Carbon Partnership Facility Carbon Fund

In the Carbon Fund of the FCPF, multiple investors paid into the Carbon Fund of the FCPF (the United States, Canada, The Nature Conservancy, Germany, and others.).

- **Compliance:** One tranche (Tranche A) of the Carbon Fund is slated for compliance markets and allows investors to sell (essentially an Article 6.2 arrangement). Tranche A is unrestricted – Emissions Reductions (ERs) may be used for compliance or resale, including into an ETS that will accept them as eligible units (this is not depicted in the graphic).
- **Contribution to the atmosphere:** The other tranche will be purchased by donors in that tranche (i.e. Norway, Germany) and are immediately retired by the World Bank on behalf of the purchasing country retired (essentially an Article 6.8 arrangement).
- **Pooled demand:** Only the demand is pooled in the FCPF. The supply is secured on a country-by-country basis.

The IMP agreement, in this case, consists of:

- A common agreement on the vehicle for the ITMOs (the Carbon Fund and its functions); and
- Purchase agreements for the emissions reductions negotiated on a REDD+ country-by-country basis with the pool's management.

2.3.3 Considerations

The clearinghouse function of the pool means that it facilitates transactions and could, in theory, be accessed by a third party, such as airlines, if the rules of the pool allow a range of purchasers. A clearing house creates potential for increased demand by facilitating transactions, and thereby reducing transaction costs. The pool could also offer additional services to purchasers. This could include mitigating the risk of an unexpected loss of units (from forest fires, unplanned deforestation, or other causes) by maintaining a reserve of withheld units.

Motivations for purchasing countries to participate in a pool include outsourcing of program management, pooled risk, climate finance obligations, desire to halt deforestation, and in some cases compliance. Donor motivation to combine their resources into a pool was particularly prominent in the formation of the FCPF and its Carbon Fund,²³ at the time, REDD+ was still relatively untested.

3. Considerations in the Design of International Mitigation Partnerships for Forests

Recognizing the voluntary nature of cooperative approaches, and the 'bottom-up' design process accommodated under Articles 6.2 and 6.8, countries' decisions on the type of cooperation that is best for each of the partners depend on a range of factors. This section identifies and explores some of the common or likely factors that will influence the design of International Mitigation Partnerships. While we have a particular interest and focus on International Mitigation Partnerships that support reducing emissions and increasing removals in the forest sector, many of the factors are sector-neutral.

3.1 Climate Policy Considerations

A country's objectives in forming a partnership would likely include one or more of the following climate policy objectives:

²³ Charter and Rules of Procedure. Forest Carbon Partnership. Available at: <https://www.forestcarbonpartnership.org/charter-and-rules-procedure>

- i. To help it achieve its own NDC;
- ii. To help the partner country achieve greater emissions reductions and/or removals;
- iii. To deliver on its responsibility to provide climate finance to support developing countries mitigation and adaptation efforts; and
- iv. To contribute to increased ambition, enabling emissions reductions over and above the unconditional NDCs of the countries involved.

3.1.1 Recognition as Climate Finance Contribution or in Accounting of NDC

The first question is whether an objective of the cooperative partnership is to enable a transfer of emissions reductions to contribute to the 'acquiring' country's NDC, or simply to ensure the effectiveness of climate finance contributions.

- A country that has set its NDC with consideration of international market-based approaches, or is at risk of falling short in achieving its NDC, may wish to establish an IMP with a country seeking support for its REDD+ activities to ensure a supply of ITMOs that would count towards achievement of its NDC.
- A country that has set its NDC based on domestic action alone, but wishes to ensure that the results of its climate finance are equally measurable, reported and verified, may wish to establish an IMP with a country, but without the requirement for credit transfer and corresponding adjustments; simply an acknowledgement of the quantified mitigation enabled with the climate finance.

3.1.2 Transfer of Title or Right to Account for Emissions Reductions

Secondly, if the acquiring country plans to count ITMOs toward its NDC, **the next question is whether the emission reduction credit will be immediately retired by the originating government upon receipt, or whether the credit will enter an emissions trading system that requires full legal title and fungibility of the credit.** The former option would require only a relatively simple, one-time registry entry by both parties, and any additional reporting and accounting procedures agreed by the COP in relation to Article 6. The latter option has greater implications for registry and tracking systems in both countries and may pose challenges for some countries with respect to ownership of forest carbon and associated ecosystem functions.

3.1.3 Host Countries' Need for Predictable Finance for REDD+

While there is a plethora of multilateral and bilateral initiatives whose purpose is to deliver climate finance to where it is needed, they have not proven to be sufficient in changing the trend of deforestation and forest degradation. The reasons for this include barriers to access, absorptive capacity, limits on scope of use, coordination challenges, and simply an insufficient scale of funding, among others. REDD+ countries face monetary and political trade-offs to enact the difficult reforms necessary to stem deforestation. With REDD+ as part of many countries' NDCs, they face an opportunity cost for any emission reduction transferred outside the country - e.g. as part of an ITMO arrangement.

An IMP on forests would be an attractive option for REDD+ countries and could give the host country the assurance it needs to invest domestically in REDD+ actions and enabling conditions. It would provide a guaranteed demand for ITMOs, a possible source of funding for associated readiness or implementation actions and would be tailored to the specific needs of both parties.

Experience with the FCPF has shown that greater certainty on the demand side achieves a greater willingness on the supply side to prioritize and accelerate on the difficult work of REDD+ Readiness. Once the FCPF Carbon Fund opened and signaled it was ready to take countries into its pipeline to buy emission reduction credits, REDD+ countries dramatically sped up their readiness process. A guaranteed buyer was the “carrot” the host countries needed.

3.2 Economic Interests

As climate change will affect almost all aspects of economic systems and related interests, so too will the actions that governments and private sector actors take to mitigate and adapt to climate change. Cost to governments, domestic economy, and impact on international trade are significant considerations in deciding on the use and design of International Mitigation Partnerships.

Minimizing the cost of climate action: While they may have the best intentions to reduce emissions and decarbonize their economy as quickly as possible, governments’ abilities to accelerate such transitions are limited – by money, physical resources, economic influence and political capital. Governments determine their NDCs after taking such considerations into account. However, economic and political circumstances can change between the time the NDC was communicated and the time the associated mitigation actions must be implemented. Or, the government that announced the NDC may have taken a political risk in pledging greater GHG reductions than it can meet. Regardless of the cause, all governments and regulated emitters are on the quest for least-cost GHG emissions reductions, to meet current NDCs or to comply with regulations, respectively, and to enable greater ambition. International Mitigation Partnerships, using one or more of the cooperative approaches described under Article 6, can offer access to lower cost emissions reductions or removals, particularly in the forest and land sectors.

For those countries or jurisdictions using emissions trading schemes (ETS) as a means of minimizing the cost of compliance with emissions regulations, International Mitigation Partnerships for forests offer the potential to increase the size of the market for emission reduction credits and lower the overall cost of compliance. For example, under the climate change regulations in the State of California, USA, regulated entities benefit from the flexibility to meet a portion of their obligations through the purchase of emissions reductions, including from eligible forest sector activities. This allows them an additional tool to manage the cost of compliance in the short-term, as part of a longer-term strategy to decarbonize their businesses and industries. It also creates a demand for emissions reductions or removals outside of regulated sectors – including the forest sector. Forest and land managers are then able to consider a carbon price in their management decisions, disincentivizing deforestation and forest degradation and driving innovation to enhance forest carbon stocks.

Strengthening trade opportunities with key partners: Maintaining and strengthening beneficial trade relationships are constant priorities for governments and are in the interests of many private companies. International Mitigation Partnerships for forests may represent opportunities to leverage and strengthen existing or trade relationships. For example, the importance of the North American Free Trade Agreement (NAFTA) was a key factor in the establishment of the Canada-Mexico Partnership,²⁴ which was launched in 2004 to provide a core framework for bilateral cooperation in trade, environment, security, political, and social interests. If Canada and Mexico were to consider an International Mitigation Partnership for forests, it would further support the existing trade relationship.

Likewise, International Mitigation Partnerships on forests may offer trade benefits to the purchasing country's consumers and companies. To satisfy corporate social responsibility commitments, companies headquartered in the global north increasingly need access to deforestation-free commodities and fair-trade practices in their supply chains. An IMP can help consumer goods companies to maintain mutually beneficial trade relationships and achieve deforestation-free supply chains, which are increasingly sought by consumers and responsible investors.

3.3 Other International Considerations

3.3.1 International Aviation's Demand for Emissions Reductions

The international aviation sector's contribution to the Paris goals is the responsibility of the International Civil Aviation Organization (ICAO) and its members. At the ICAO Assembly in September 2016, countries established the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), a framework to enable the purchase of offsets²⁵ for air travel emissions, to run from 2021 through 2035.²⁶ ICAO will decide the types of emission reductions that will be eligible for compliance with CORSIA and programs that can deliver such units.

We expect CORSIA's rules to be consistent with UNFCCC rules and guidelines, which include the Warsaw Framework for REDD+²⁷ and the Paris Agreement, including Article 6. If designed correctly, CORSIA could provide airlines with high quality forest emission reductions at an industry scale. Modeling²⁸ shows that the increased demand from CORSIA could spark an increase in the supply of REDD+ units.

Article 6 and forest-based ITMOs could support the supply of CORSIA-eligible ERs to airlines while also maintaining the integrity of the Paris Agreement. Institutions to enable Article 6 ITMOs can enable airlines to access the REDD+ reductions and could include: government-to-government agreements, the Forest Carbon Partnership Facility, local carbon offset exchanges in forest countries, or emerging REDD+ clearinghouses. REDD+ offsets would need to meet the forthcoming standards of both ICAO's emerging Recommended Criteria for Offset Programs and relevant UNFCCC decisions including the Warsaw Framework for REDD+ and the Paris Agreement.⁸ Countries in CORSIA should consider the optimal transaction structure now so that forest offsets are readily available in time for airlines to meet regulatory obligations growing out of CORSIA.

²⁵ The expected to growth in air travel and the corresponding increase in greenhouse gas emissions will likely outpace emission reductions achieved through efficiency and other technological advances in the industry. Many airlines already offer GHG offsets to interested customers, including through forest conservation which is tangible and popular with airline customers. More specifically, leading airlines such as Air Canada, Delta Air Lines, Kenya Airways, Qantas and United Airlines enable their passengers to voluntarily offset emissions from their flights with forest conservation and restoration activities.

²⁶ The pilot phase (2021-2023) and first phase (2024-2026) are voluntary – 72 states representing over 87 percent of international aviation activity intend to participate in these phases. In the second phase, all states must participate except those specifically excluded.

²⁷ There is a possibility that issues specific to the land-use sector could present challenges for eligibility, but it is the authors' understanding that EUC shall not prejudice particular sectors.

²⁸ Graham and Mansell. Climate Advisers, 2017. By the Numbers: Linking the ICAO Global Market-Based Mechanism to REDD+ in Colombia. Available at:

<https://www.climateadvisers.com/by-the-numbers-linking-the-icao-global-market-based-mechanism-to-redd-in-colombia/>

3.3.2 Other International Agreements Including the CBD, SDGs, CITES, and New York Declaration on Forests

Other international agreements, especially the Convention on Biological Diversity (CBD) and the Sustainable Development Goals (SDGs), are of interest to Parties to the Paris Agreement. Conserving biological diversity presents a clear and compelling co-benefit of REDD+ programs, as noted by research as well as in numerous current REDD+ initiatives. The link between achieving NDCs and SDGs is mentioned in numerous NDC submissions.²⁹ International Mitigation Partnerships for forests provide an opportunity to integrate multiple objectives, including to contribute to achieving the partners' goals and/or targets under the UNFCCC, CBD, CITES, SDGs, Bonn Challenge and other social, environmental and development commitments. 2020 is a year when expectations are high for countries to demonstrate real progress towards achieving many of these goals and targets

Countries that endorsed the New York Declaration on Forests' should consider how International Mitigation Partnerships could help advance their efforts to halt deforestation globally by 2030, which is the first goal under the Declaration. Although the NYDF is a nonbinding coalition of governments, subnational entities, NGOs, and corporations, it carries political weight and commitments under it are being tracked and evaluated under the Global Platform for the New York Declaration on Forests. As noted earlier, numerous companies have committed to zero deforestation supply chains and need access to well managed forest areas from which to source product inputs.

3.4 Domestic Policy Priorities

Arrangements under Article 6 can serve a variety of domestic actors and climate policy priorities implicated in meeting countries' NDCs or through voluntary carbon neutrality commitments.

- **Interests of regulated entities and the private sector:** Regulated entities may need access to a flow of ERs. Governments must consider the cost of compliance to regulated entities (such as utilities and manufacturers). Often, the ability to purchase offsets can lower the cost of compliance, especially while capital-intensive actors depreciate their assets.
- **Interests of states and provinces:** If state-level reductions form a part of meeting an NDC, the country may need to enable subnational or state-level markets to link to overseas ERs. For example, the province of Quebec and the state of California have their own emissions reduction targets. In this case, the Canadian federal government can help the province and its regulated entities reduce the cost of compliance through enabling access to international credits, including through International Mitigation Partnerships for forests. Similarly, California has its own target. In theory, the United States government could establish or enable a legal framework under which California could access ITMOs.
- **Interests of cities:** As with several states and provinces, many cities have set carbon-neutral targets or city-level climate goals. For those cities with, or considering, emissions trading as a policy tool to achieve more ambitious targets at least cost, a city's access to offsets can be facilitated by the national government enabling access to ITMOs through International Mitigations Partnerships.

²⁹ NDC-SDG Linkages. Climate Watch. NDC Partnership. Available at: <https://ndcpartnership.org/climate-watch/ndcs-sdg>

4. Conclusions

With the world falling dangerously short of Paris Agreement goals, countries must consider every policy tool available to lower emissions to the level needed by 2030. The development of International Mitigation Partnerships using one or more of the cooperative approaches described in Article 6 of the Agreement is essential for unlocking substantial near-term, lower-cost mitigation potential. Recent scientific reports show that actions in the forest and land sector can be scaled-up to achieve over 30 percent of the long-term temperature goal by 2030. And most of this mitigation potential is within countries that lack sufficient financial resources to implement the necessary actions.

Experience over 10 years of bilateral and multilateral initiatives of REDD+ has taught us that designing cooperative arrangements must consider the diversity of national circumstances – including economic and political considerations. Given the need for such flexibility in such arrangements, and the cooperative approaches to contribute to increasing the ambition of Nationally Determined Contributions (under Article 6 of the Paris Agreement), the typology presented in this paper is intended to assist countries in the design of International Mitigation Partnerships.

International Mitigation Partnerships for forests can harness the large mitigation potential in that sector, raise the overall ambition needed to achieve the Paris goals, and contribute to broader objectives – locally and globally. Forests are the only sector for which the UNFCCC has already agreed to specific rules and procedures for results-based payments. In the addition to large climate benefits, International Mitigation Partnerships focused on forests could support both parties in areas beyond climate, such as strengthening regional and economic cooperation, protection of endangered species, conservation of biological diversity, and promotion of free and fair trade.



New York Declaration on Forests
GLOBAL PLATFORM

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