

Clarifying the Role of Non-Carbon Benefits in REDD+

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Setting the Stage

Since 2010 when the Cancun safeguards determined that REDD+ activities should enhance social and environmental benefits, non-carbon benefits (NCBs) have received growing international attention. Most recently, the draft decision from the United Nations Framework Convention on Climate Change's (UNFCCC) 38th session of the Subsidiary Body for Scientific and Technological Advice (SBSTA) recognized both the importance of taking NCBs into account when implementing REDD+ activities and **the need for clarity surrounding types of NCBs and other related methodological issues**.¹¹ Additionally, **ways to incentivize NCBs** are currently being explored in the 2013 Conference of the Parties (COP) Work Programme on Results-based Finance for REDD+.²²

Considering the internationally recognized importance of NCBs and the current lack of clarity surrounding the issue, this policy paper aims to provide a perspective on the role of NCBs in REDD+ that may help inform decisions to be made about NCBs at SBSTA's 40th session. This paper focuses on the two key issues raised by the Parties this year: 1) the lack of clarity surrounding NCBs; and 2) the need to identify ways to incentivize NCBs in REDD+.

Lack of Clarity Surrounding Non-Carbon Benefits

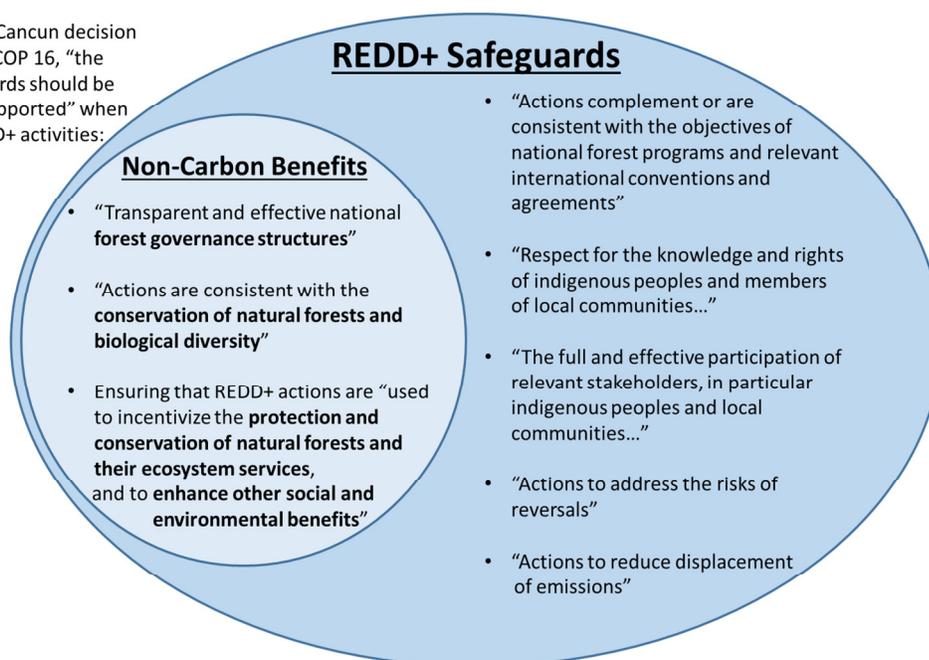
Defining Non-Carbon Benefits and their Relationship to Safeguards

Sometimes referred to as 'co-benefits' or 'multiple benefits,' the term 'non-carbon benefits' encompasses a wide range of positive outcomes resulting from REDD+ activities beyond those associated with carbon storage and/or sequestration. The majority of discussions surrounding NCBs describe **3 types of NCBs: social, environmental and governance benefits**.^{1, 2, 3, 4, 5} Social benefits of REDD+ activities may include, among many others, providing "opportunities for wealth creation and well-being," "enhancing population's security," and "facilitating the empowerment of individuals and communities."⁶ Environmental benefits may range from biodiversity conservation to increased resiliency of ecosystems and improved ecosystem services, such as water regulation and erosion control.^{1, 2, 3, 5} Lastly, governance benefits include progress toward secure land tenure, and increased levels of transparency and local participation in policies and systems that affect the management of forest resources.^{7, 2, 5}

In 2010, the Cancun Agreements formally incorporated key NCBs within the framework of safeguards that "should be promoted and supported" when undertaking REDD+ activities.⁸ Figure 1 below demonstrates that certain safeguards are protective in nature and set minimum standards for REDD+ actions, whereas other safeguards fall within the category of 'non-carbon benefits' by extending beyond protective measures to require that REDD+ activities "promote" and/or "enhance" social, environmental and governance benefits.^{8; 1, 9, 10} Although the Cancun text did not explicitly use the term 'non-carbon benefits,' it established the expectation that **all REDD+ activities should enhance social and environmental benefits, incentivize the conservation of natural forests and their ecosystem services, and promote effective forest governance mechanisms**.

Figure 1: Relationship between non-carbon benefits and safeguards for REDD+ activities.⁸

According to the Cancun decision at the UNFCCC's COP 16, "the following safeguards should be promoted and supported" when undertaking REDD+ activities:



Identifying and Prioritizing Non-Carbon Benefits at the National Level

The broadness of the term 'non-carbon benefits' and the categories of 'social,' 'environmental,' and 'governance' benefits presents a challenge to identifying specific NCBs to be targeted and promoted by national REDD+ strategies. In part because these terms encompass an extraordinarily wide scope of benefits, the Parties at SBSTA's 38th session acknowledged the need to further clarify the types of NCBs.¹¹

In order for national REDD+ strategies to effectively promote NCBs, specific NCBs must be identified and prioritized according to national objectives and circumstances. The prioritization of specific NCBs is necessary in order to inform 3 design elements of national REDD+ strategies:

1) Types of REDD+ activities to be implemented;

Particular REDD+ activities may promote certain NCBs more than others. For instance, studies suggest that REDD+ projects implementing tree-planting, forest restoration, agroforestry, and Payment for Ecosystem Services (PES) may have more potential to produce jobs and income and to be "pro-poor" than other REDD+ activities, such as avoided deforestation.^{6, 12} However, avoided deforestation activities may be more effective than other REDD+ activities in conserving biodiversity and other values.

2) Selection of target geographical areas for REDD+ activities;

The ability of REDD+ activities to yield certain NCBs will largely be affected by the location of these activities. For instance, REDD+ activities implemented in intact natural forests may yield higher biodiversity benefits, whereas REDD+ activities on sloped, degraded forestlands may yield greater benefits in terms of water regulation and erosion control.^{3, 13} Additionally, certain areas may have greater potential than others to achieve NCBs across all three categories of social, environmental and governance benefits. Depending on national priorities, these areas may be ideal for the implementation of REDD+ activities.

3) Allocation of REDD+ investments.

While some NCBs may be relatively cost-effective to achieve, more costly NCBs may merit higher investment if they align with a country's top priorities. National contexts and priorities of NCBs must be understood in order for these types of funding allocation decisions to be made. For instance, the process of undergoing land

tenure reform may involve significant investments of time, effort, and funds.⁶ This level of investment may not be appropriate in a national context in which land tenure is largely uncontested, however, high investment in securing land tenure may be necessary in countries with highly insecure land tenure in forest areas.

It is important to note that, while national priorities should influence the architecture of national REDD+ programs, all REDD+ activities should comply with the Cancun safeguards, regardless of differences in national contexts.

Specific decisions as to which social and environmental benefits will be enhanced and how this is to be done should be left up to each country to decide.

Incentivizing Non-Carbon Benefits

Centrality of Non-Carbon Benefits to the Success of REDD+

The importance of NCBs to the success of REDD+ is widely recognized.^{11, 3, 14, 1} Three major ways in which NCBs are essential to the success of REDD+ are:

1) NCBs are essential to achieving emission reductions;

It is through the promotion of NCBs that many REDD+ strategies address the root causes of drivers of deforestation and forest degradation, thereby catalyzing change that results in emission reductions.^{1, 15, 4}

NCBs may lead to greater carbon benefits. For instance, one study of 80 forest commons across Asia, Africa, and Latin America found that community ownership and greater local autonomy in forest management rule-making processes were associated with higher carbon storage than forest commons with public ownership and less local autonomy.¹⁶ This example suggests that greater emission reductions may be achieved by increasing the degree of local autonomy and participation in forest governance.

2) NCBs are important in improving the quality of emission reductions;

NCBs play an important role in minimizing the risk of reversals, or in other words, ensuring that carbon reductions are maintained over time.^{1, 17} Change that led to emission reductions will likely only be sustained if significant social, environmental, and/or governance benefits are produced.

3) NCBs will likely increase the extent to which REDD+ activities are implemented worldwide.

Beyond mitigating climate change, activities that reduce deforestation and forest degradation will often result in significant environmental and social benefits, such as improved ecosystem services or the protection of traditional livelihoods of many indigenous and forest-dwelling communities. As REDD+ activities demonstrate over time their ability to deliver various NCBs, there will likely be greater political will to implement REDD+ activities. A document from the UN-REDD Program explains that, "It is more likely that the necessary high-level political support for implementing REDD+ can be maintained if REDD+ is clearly linked to wider environmental and societal benefits, and to broader sustainable development goals."³

Ways to Incentivize Non-Carbon Benefits

Considering the centrality of NCBs to the success of REDD+, ways to incentivize NCBs in all Phases of REDD+ must be identified that are economically and logistically feasible, and that allow for differences in national contexts.

In Phases 1 and 2, significant public funding should be invested in activities that generate NCBs and lay the groundwork for achieving additional NCBs in Phase 3. Many NCBs, such as securing land tenure or improving the transparency and participatory nature of forest governance structures, require significant time and investment to achieve. This process must begin in Phases 1 and 2 in order to maximize both the promotion of NCBs and the reduction of emissions in Phase 3.

In Phase 3, NCBs can be incentivized through various means, as described below. Payments for REDD+ results should be sufficiently large to cover the costs of continued investment in the promotion of NCBs.⁴

1) REDD+ activities that successfully enhance NCBs will likely produce greater emission reductions and receive more results-based payments;

The promotion of NCBs should be seen as a central part of a national REDD+ program's strategy for addressing the drivers of deforestation and forest degradation and maintaining the permanence of emission reductions. As discussed above, REDD+ activities that are most effective in enhancing NCBs will likely generate greater emission reductions and, as a result, receive a greater number of results-based payments.

2) By making results-based payments conditional upon compliance with the REDD+ safeguards, access to funding will itself become an incentive for promoting NCBs;

Despite significant progress in the UNFCCC in establishing and institutionalizing safeguards, the Parties still need to clearly define 'results-based payments' as payments for emission reductions that are conditional upon compliance with the REDD+ safeguards.⁴ Under this definition, only REDD+ activities that enhance social and environmental benefits, incentivize the conservation of natural forests and their ecosystem services, and promote effective forest governance mechanisms, along with the other safeguards, will be eligible to receive payments.

3) REDD+ activities that promote NCBs may access funding sources or obtain certifications beyond those available through the REDD+ mechanism in order to secure additional funds;

Direct compensation for social and/or environmental benefits from REDD+ activities can be accessed through separate financing mechanisms and/or certifications designated for specific NCBs. For example, many PES initiatives worldwide have promoted and directly paid for diverse ecosystem services ranging from watershed protection to biodiversity conservation.²⁰ Certifications, such as the Forest Stewardship Council (FSC) and Fair Trade, can also be obtained for qualified products from REDD+ activities to potentially increase the profitability of product sales.¹⁷

4) REDD+ emission reductions that are associated with NCBs are more competitive in carbon markets and in attracting multilateral or bilateral funding.

NCBs provide a competitive advantage in carbon markets and other systems of results-based payments, by means of higher prices and/or increased sales of carbon credits and a greater ability to attract multilateral or bilateral funds. A growing interest in NCBs among investors in the voluntary carbon market has been observed as "projects' environmental, social, sustainable development, and other public benefits continue to climb to the top of buyers' offset project considerations."¹⁷

Carbon credits that are associated with NCBs are often sold at higher average prices than credits that are not paired with these additional benefits.^{21, 17} For 2012 sales of carbon offsets in the voluntary carbon market across all sectors, carbon offsets under CarbonFix and The Gold Standard received the highest average prices (\$11 and \$9/tCO_{2e}, respectively) of all independent carbon standards.¹⁷ Both of these standards are recognized for incorporating socio-economic and environmental indicators. In contrast, carbon offsets under the "pure," carbon-only Verified Carbon Standard (VCS) and the Clean Development Mechanism (CDM) were sold for an average of \$4 and \$3/tCO_{2e}, respectively.¹⁷ The added value associated with NCBs can also be observed by comparing the prices of offsets with carbon-only standards to carbon offsets with a combination of carbon and NCBs standards. The average price for carbon offsets was higher when combining a carbon-only standard with a standard verifying NCBs. For instance, offsets under both The Gold Standard and CDM sold for an average price of \$13 and offsets under both VCS and the Climate, Community and Biodiversity (CCB) Standard sold for an average price of \$7/tCO_{2e} in 2012.¹⁷

Additionally, there is a growing demand for higher quantities of REDD offsets certified to both the VCS and the CCB Standards, due to buyer interest in ensuring NCBs are achieved alongside emission reductions.^{17,6} Specifically in 2012, "the volume of offsets contracted from REDD projects that are or aspire to be certified to both the [VCS] and the [CCB] Standards more than doubled – as demand for this combination of certifications grew market-wide."¹⁷

Lastly, various multilateral institutions and bilateral agreements currently take into account the extent to which NCBs will be enhanced by REDD+ activities when selecting which national programs to finance. For instance, the Forest Carbon Partnership Facility's (FCPF) Carbon Fund makes selection decisions based on seven main criteria, one of which is the extent to which "the ER [Emission Reductions] Program will generate substantial non-carbon benefits."^{2, 18, 19} As funders increasingly seek out national REDD+ programs that promote NCBs, national REDD+ programs with prominent NCBs may have a higher likelihood of forming multilateral or bilateral funding arrangements.

Next Steps

Non-carbon benefits lie at the core of REDD+. Not only are NCBs incorporated into the REDD+ safeguards, but NCBs are essential to achieving real and permanent emission reductions.

The second session of the COP Work Program on REDD+ Finance will meet this August to explore ways to incentivize NCBs. Among the other strategies for incentivizing NCBs discussed here, Parties should consider defining results-based payments as payments for emission reductions that are conditional upon compliance with the REDD+ safeguards, which includes enhancing social and environmental benefits, incentivizing the conservation of natural forests and their ecosystem services, and promoting effective forest governance mechanisms.

If the draft text from SBSTA's 38th session is adopted in COP 19, invited Parties and admitted observer organizations will have until March of 2014 to submit their views regarding methodological issues of NCBs. Consideration of methodological issues related to NCBs will resume in SBSTA's 40th session in June of 2014.¹¹ In preparation for SBSTA #40, Parties should begin identifying and prioritizing NCBs at the national level. This progress will provide a more concrete idea of the types of NCBs that will be promoted within each national context and the associated methodological challenges to promoting these NCBs.

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