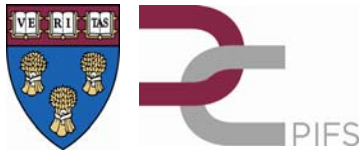


Forest Carbon Finance Summit 2009: Making Forest Carbon Markets Work



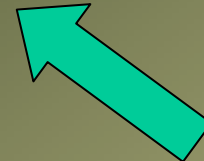
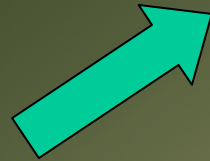


SESSION I

How to Make Forest Carbon Compliance Carbon



REDD



Financial

- Non Market
- Market

Non-Financial

- Exchanging Trade Concession (Carrots) For Commitment



Climate Result (450ppm) → Compliance

↔ Carbon Integrity ↔

– Key risks:

- Supply: national reference levels
 - Too high → Hot air
 - Too low → Won't play
- Project-based
 - Leakage, additionality
 - Conservatism, sequencing: buffers



%
Units
for
Sale

Conservative
Discounting

?

National
Account
Resolution

Phase I

Phase II

Phase III

National Account Reached

TIME



Risks to Investors

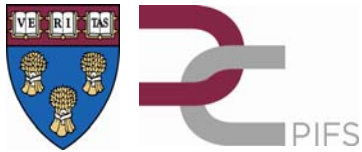
- Non-Performance Risk (who bears?)
- “Details”
 - Who is counterparty?
 - Type of credit/what is it?
 - What rights?
- Grandfathering of early movers
 - Projects offsets after national baseline
 - Project offsets after taking treaty v. cap



Long-term Questions: How to Convert a Forest Country to Annex 1?

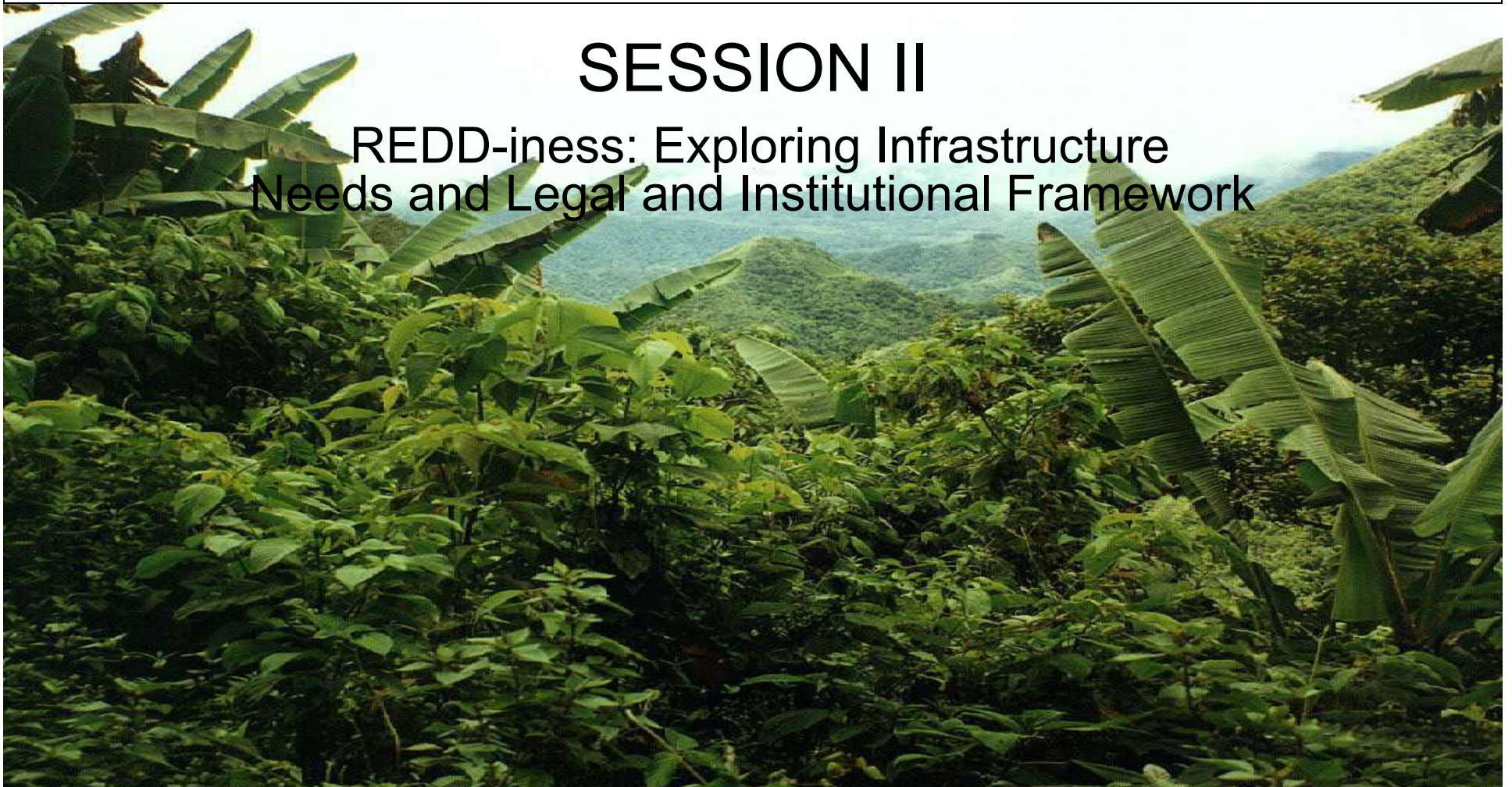
- What's the incentive to the forest country?
- If not, will they ever take a cap?
- What happens to projects when the country becomes Annex 1?
 - Worthless credits?





SESSION II

REDD-iness: Exploring Infrastructure Needs and Legal and Institutional Framework



Design
+
Plumbing

Infrastructure

Domestic

- National
- Sub-national

International



Domestic REDD-iness

1. Legal/institutional framework
 - Land and carbon rights
 - Institutions to handle distribution of funds outside government , e.g. Brazil's Amazon Fund, "Outsourcing"—efficiency
 - contracts
 - someone to sit between buyer/seller
2. MRV
 - Deforestation "good to go" → tech transfer →capacity building
 - Degradation → not so much
 - See Topic 3
3. Foreign Direct Investment friendliness
 1. Rule-of-law etc.



International

- Facility/institutions to...
 - Standards/rules (“MRVAP”)
 - Definitions/data rules/information
 - Registry (Centralized/de-centralized)
 - Verification protocols
 - Verification/enforcement
 - Funding institution (capacity+)
 - Liability/insurance



Need to Resolve...

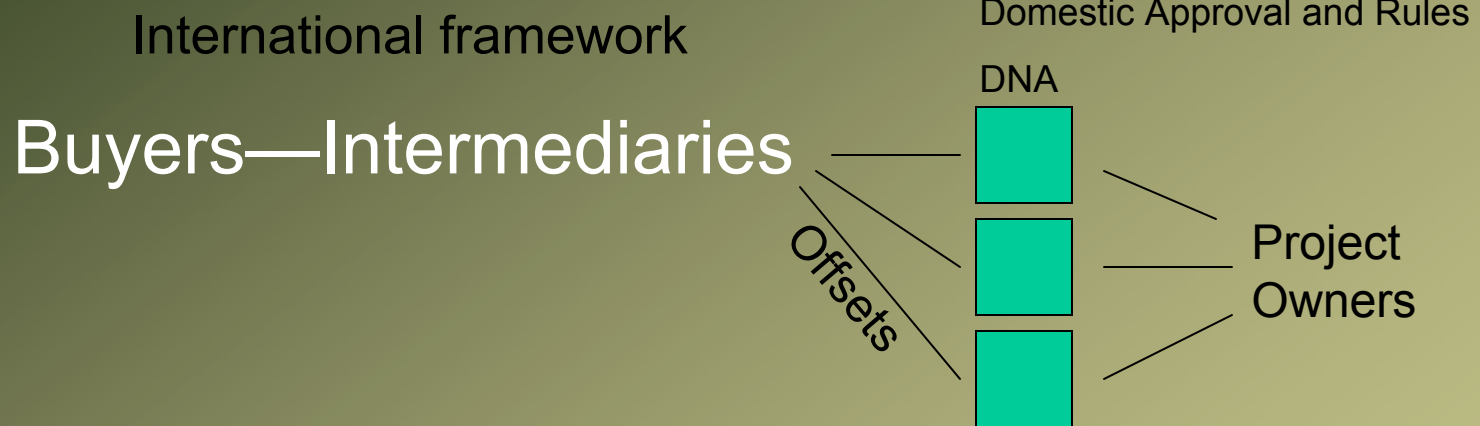


Market Structure

A.



B.



C.

Int'l Framework

Domestic Framework

Buyer

Buyer

Carbon
Facility

Domestic
National
Authority

Project

Project

Project



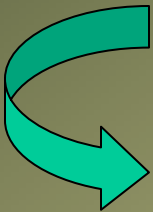
Demand Leads Readiness (Not Readiness Leads Demand) “Show Me the Money”

– U.S. should lead (?)

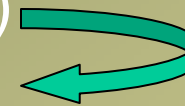
· With requirements

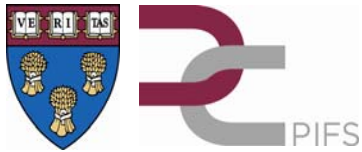
- Moving toward national MRV accounting ability baseline (reference level)
- Subnational w/in national baseline
- Private sector welcome as investors
- Pre-compliance investment at sub-national recognition (grandfathering)

Criteria
for offsets



“Show me the money!”





SESSION III

Ensuring Integrity in Forest Carbon Markets



System Integrity

- Achieving 450ppm target through lowest cost/coverage
 1. If need 17 Gt 7 assume Annex 1 driven market
 - 5Gt caps
 - 4Gt offsets (XGt forest) includes A/R, FM
 - 8Gt developing
 2. Average cost lower than market price



2. MRVAP Integrity

- Forest change—doable
- Biomass/C – less certain, but doable (IPCC tiers)
- Degradation more difficult
 - Phased approach
- Capabilities improving
 - Hardware
 - Software
- Baselines (historical) difficult
 - Past-low deforesting countries hard to detect



PIFS



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FOR ENVIRONMENTAL POLICY SOLUTIONS
DUKE UNIVERSITY

3. Demand for 'Gold Standard'

- Voluntary Market—yes
- Compliance market—??
 - forest certification example



4. Community/Social Standards

- Supply side
 - Success (permanence)
 - Political buy-in
- Demand side – may not care as much
 - needed legislative/enforcement on contract



**WWF would like to thank all of you
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support and to our co-organizers, the Nicholas Institute for Environmental
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Financial Systems, for their support of the Summit!**

