

## Creating carbon credits from avoided deforestation was a surprise topic on the agenda at the COP in Montreal. But what are its chances of success?

GUSTAVO SILVA-CHÁVEZ and ANNIE PETSONK report

# Rainforest credits

As the curtain rose on the UN climate change talks in Montreal in December, many observers feared the denouement would be rather dreadful. In the meeting's opening bars, the all-too-familiar refrain about rising greenhouse gas (GHG) emissions from fossil fuels met the growing litany of global warming impacts. A re-run of the old stand-offs – between north and south, east and west, the US and the rest of the world – seemed about to unfold. But, on the third day, virtually every delegation sounded positive notes about a topic that no one thought could be considered at all, let alone harmoniously: the need to address GHG emissions from tropical deforestation.

Deforestation in the developing world, principally in the tropics, is responsible for up to 20% of annual global carbon dioxide emissions. While much rhetoric on climate change has focused on emissions from the US, China, and India, in fact the largest share of developing country emissions – an amount comparable to the entire fossil fuel emissions of the US – is from deforestation.

Few realised that deforestation would be on the agenda for Montreal; even fewer thought any progress would be made. Addressing emissions from deforestation has been highly controversial in the UN climate talks. The Kyoto Protocol set binding targets for industrialised countries to reduce their GHG emissions, and allowed emission-reducing projects in developing countries to earn tradable credits in Kyoto's carbon market. But disagreements over whether and how to count credits from forest protection projects helped torpedo the talks in The Hague in 2000; carbon market rules provisionally agreed in 2001 and formally adopted at Montreal bar any award of credits to forest protection projects.

Nonetheless, in the run-up to the Montreal meeting, Papua New Guinea and Costa Rica, on behalf of the Coalition for Rainforest Nations – a group of 10 developing countries with tropical rainforest resources – proposed that parties to the UN Framework Convention on Climate Change (UNFCCC) address emissions from deforestation and create incentives to reward developing countries for bringing these emissions under management.

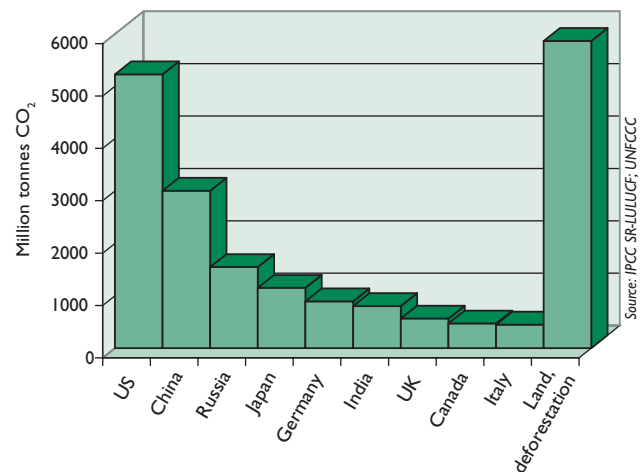
### Two years of discussions

When Papua New Guinea raised it on the third day of the COP, the initiative, built on the strength of two years of quiet discussion among developing and industrialised country governmental and non-governmental experts, was warmly welcomed by Brazil, the Latin America group, Tuvalu for the Association of Small Island States, Jamaica for the G-77 and China, the UK for the EU, the Central African nations, Nigeria, Indonesia, Saudi Arabia, Australia, Canada, and Japan, among others. Only one delegation expressed reluctance: the US.

In the days that followed, Brazil said it had achieved major reductions in deforestation, showing that with great effort, it is possible to tackle the problem. The Rainforest countries held talks with many delegations, including the US; with representatives of US states and municipalities that are capping and cutting GHG emissions; and with Senator Jeff Bingaman, architect of the June 2005 Senate resolution calling on the US Congress to enact mandatory market-based caps on GHG emissions and "encourage comparable action by other nations."

Side events at Montreal discussed how Rainforest countries might

Comparison of mean annual deforestation emissions (1989–95) with fossil fuel emissions from selected countries (1995)



join the carbon market. Legal experts showed how countries that reduce deforestation between 2008 and 2012 might be able to earn carbon credits tradable after 2012. Published analyses indicated that many developing countries could achieve higher economic returns in a carbon market by keeping forests standing instead of chopping them down. Revenue forecasts ranged from millions to billions of dollars depending on the amount of forest protected. Several large industrial emitters began exploring how they might fund forest protection in the developing world in exchange for a share of the credits. Then a bipartisan group of US senators wrote to the president of the COP welcoming the Rainforest countries' initiative.

### Going forward

Bolstered by this swell of support, the COP, on the closing day of the talks, invited parties and accredited observers to submit, by 31 March 2006, views on reducing emissions from deforestation in developing countries, focusing on scientific, technical and methodological issues, policy approaches and positive incentives. Also at Montreal, NGO experts launched a book\* on tropical deforestation and climate change that could help to inform future discussions in the UNFCCC's Subsidiary Body for Scientific and Technical Advice (SBSTA). SBSTA will take up the submissions on in May 2006, and hold a workshop later this year, and report its findings and recommendations in 2007.

Two key ideas emerged at Montreal around the Rainforest countries' initiative. First, that they should be compensated for the environmental services they provide. Second, that addressing global warming requires active involvement of the developing world. By joining these two ideas, the Rainforest countries' initiative might just unlock the door for real action by industrialised and developing countries to cut GHG emissions and avert dangerous climate change. That would make Montreal the opening act for climate-saving efforts that will play out on a global stage.

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\* Tropical deforestation and climate change, Instituto de Pesquisa Ambiental de Amazonia, [www.environmentaldefense.org/documents/4930\\_TropicalDeforestation\\_and\\_ClimateChange.pdf](http://www.environmentaldefense.org/documents/4930_TropicalDeforestation_and_ClimateChange.pdf)