



FORESTS AND CLIMATE CHANGE FORUM

Day 2 Proceedings

Canadian Boreal Initiative/Ivey Foundation
Forests and Climate Change Forum
October 15th to 17th, 2007

Kananaskis, Alberta

IVEY foundation



Day 2 Sessions on day two focused on developing ideas for policy research, position development, and advocacy in the four areas of voluntary offset programs, regulated cap and trade programs, international agreements and the protection of intact forests. These issues were discussed in break out groups and reported back to the group. Below are brief summaries from each break out group, a longer narrative from each break out group, key thoughts on campaign design and public communication and suggested next steps.

Quick issue summaries

Regulatory mechanisms: Regional and Federal Initiatives

- The Canadian federal government has a poor track record in the area of creating mandatory carbon reduction targets and has adopted “aspirational or intensity targets”, without hard caps that would force emission reductions.
- One way for ENGOs to avoid the Canadian federal deadlock is to begin to address this is to work within newly emerging regional initiatives (Western Climate Initiative, REGGI) and learn from American experiences (like the California Climate registry).
- For each of these processes there is a need to support the adoption of solid accounting rules that also allow for protection of forests for their reservoir function, not just as a carbon source and sink.

Pilots and Prayers: Voluntary Offset Projects

- Voluntary mechanisms and projects may be most useful in the near term as a learning or trial step as we move toward regulated cap and trade mechanisms.
- They may be open to abuse (particularly if they remain outside of broader regulatory system) and using forest offsets within them have been viewed with skepticism, especially compared with other measures where determining additionality is

more straight-forward (such as alternative energy projects).

- Need to explore these mechanisms through pilots to determine if they can deliver both forest conservation outcomes and carbon reductions

Bali and Beyond: International Agreements

- It is likely that avoided deforestation will be included in a revised or new international climate treaty in the post 2012 period
- ENGOs will need to address rules and modalities including funding and baselines and how to deal with countries that are not seriously deforested (or where serious deforestation is not ongoing).
- It will be important to develop linkages between “Kyoto II” and the Biodiversity Convention to achieve biodiversity conservation and carbon emission reduction co-benefits.

Maintaining Intact boreal forests

- ENGOs need to focus on protecting intact boreal ecosystems as a key conservation goal in carbon trading and offset discussions
- This will require significant, high-level message development to inform the public and decision makers of carbon-climate-biodiversity linkages with an emphasis on describing the ecological services of intact forest beyond those of carbon storage and sequestration

- ENGOs need to clearly communicate what is meant by the values of “intactness”
- Goal is protection of large areas that help to protect people and species from impacts of global warming
- Promotion of key land-use planning outcomes like those in NWT may offer a good model showing how a network of large intact areas could provide protection from climate change-induced change.
- ENGOs need to focus communications on the value of protecting intact forests as carbon reservoirs instead of thinking of them as areas that will generate credits through sequestration.
- ENGOs need to make science case for protection. Create a science working group to better explain values including:
 - Intactness
 - Natural capital
 - Biodiversity / abundance
 - Carbon storage and sequestration
 - Disproportionate carbon storage value of peatlands

There is also a need to identify additional voices (science spokespeople, incorporate and explain traditional knowledge through aboriginal voices). Maps and modeling could also be useful to help explain what is going to happen to our forests and how and where we can increase resiliency.

B.C.'s chief forester is currently asking the question of how do we need to change forest management to address and prepare for climate change. This is an approach that is sensible. Australia is looking at creation of “climate corridors.” Canada needs to take this kind of proactive approach

Workshop Discussion Summaries

Bali and Beyond

The focus of upcoming climate meetings in Bali (and over next several years leading to 2012) will be on the various proposals for expanding the carbon offset system to support projects that prevent or slow deforestation. Many tropical (developing) countries are supportive of this approach as are many international and domestic ENGOs. This will require changes to the rules surrounding land use, land use change and forestry (LULUCF).

There are two ways to make this work. This first would see carbon offsets for fossil fuels be funded through cap and trade systems and the second would continue to exclude forests from such protocols would therefore require major financial inputs (transfers) from the developed world using other sources of revenues.

It will be difficult to adapt current proposals to developed country circumstances where the deforestation threat is much less. Pushing inclusion for developed countries could throw the international process off the rails and alienate developing countries, who we need to draw into international climate regulation efforts.

Canada and Russia should work together to develop systems for northern forests and ensure that any new accounting and reporting mechanism includes peatlands (and other ecosystem types). ENGOs need to set the bar for issues such as science-derived baselines, proper accounting rules and reliable tests of additionality for deforestation projects.

The real opportunity for northern countries may be in creating linkages between the requirements of the Biodiversity Convention and Kyoto efforts. This could occur through some sort of combined program or credit.

Pilots and Prayers

Voluntary programs are small and are likely to stay small relative to emerging regulated cap and trade systems. As a result ENGOs should see voluntary carbon offset programs as a first step on the road toward a regulated cap and trade system. Pilot projects can be useful to test concepts and allow us to move quickly. They can also be an effective way to engage people in resolving issues, particularly government agencies, compared with prolonged theoretical discussions.

It may be getting late to secure carbon reduction and biodiversity positive protocols and we definitely cannot passively wait for the perfect system because “the horse is out of the barn” and credit trading is growing fast. However, ENGO need to be sure that their participation in these processes does not undermine our own conservation goals.

There is a need to ensure carbon offset pilot projects (and eventual regulated markets) recognize and respect Aboriginal rights. Forests are not just carbon sinks, they are also their home and a fully functioning ecosystem is critical to aboriginal survival.

Society needs to decide if the voluntary market is going to be a way of going above and beyond national targets or is a way to meet these targets. Experience suggests a voluntary-only approach will not achieve significant reductions.

Pilot projects will require willing governments, willing investors, and willing validators.

Issues and Challenges

- **Credibility:** address through development of credible ecosystem-based standards and verification processes; limit credit amounts available for forest projects; design in ENGO role as validator
- **Tenure:** work with governments and Aboriginal Peoples to promote the need to include Aboriginal people in the development and control of carbon offset projects.
- **Risk:** Governments may need to backstop value of credits (guarantee or insure) to attract investment; embed credits in strong regulatory system; credits may be more attractive to organizations like TNC / NCC or universities than private investors.
- **Baseline establishment:** Strong verification systems; road test through pilots
- **Additionality and leakage:** Will need to keep forest credit volume in proportion to forest related emissions; discount value of credits.

Regulatory Systems

ENGOs must work together to ensure that offset system rules have credibility (lead to real carbon emission reductions) and promote ecosystem security. It would be desirable to create a capital pool through credit purchases or rights auctions (or other revenue means) that supports improved forest management and conservation (rather than accelerated harvest and increased intensification). Need to develop a mechanism to ensure full participation for Aboriginal peoples and provide incentives for companies and governments to participate.

Desired policy outcomes:

Forest ecological goals

- Reduction in intensity of industrial forestry
- Intact forest protection
- Increased resiliency
- Ban on forest conversion

Societal goals

- Support ecosystem-based land-use planning
- Aboriginal land rights recognized and Aboriginal communities receive priority benefit from carbon trading systems
- Create a pool of capital (dollars) that can support forest conservation goals through either an offset system, a cap and trade system, or an industrial land impact offset system.

Some elements of the forest industry will be seeking to achieve

- Exclusion of natural processes from inclusion in carbon accounting frameworks (impact on carbon balance)
- Exclusion of secondary emissions from product manufacturing
- Inclusion of credits for product storage and landfill of end-of-life products
- Tenure enhancement to secure rights to carbon offset investments
- Inclusion of intensive forest management systems as offset-eligible.

Current carbon trading initiatives

There may be key opportunities to establish progressive forest protocols in the Western Climate Initiative or the RGGI regional systems. It may be more productive to focus on setting good precedents within these in the near term rather than focusing energy in areas with more limited political momentum (such as the federal and Alberta systems).

Alberta and Federal system development are fairly well advanced.

Federal system will include forests and they are aiming for completion in early 2008.

Alberta system is running but it is weak -- only trading within Alberta is allowed and forest offsets are limited to afforestation. Also, additionality issues are not addressed. However, there are current opportunities for engagement as meetings on forest issues are currently taking place.

B.C. and Manitoba are members of the Western Climate Initiative while Ontario and Quebec are observers in this and the Regional Greenhouse Gas Initiative (eastern and Midwestern U.S. states). Ontario is considering joining both but is concerned about joining WCI because of the requirement that it adopt the California Vehicle Emission Standard as the price of entry.

B.C. will lead the development of forestry protocols for the Western Climate Initiative and Ontario and Quebec government staff are acting as observers and advisors.

Issues and Challenges

- Need to address baseline measurement issues to ascertain credit level for current carbon stocks
- Identify external allies and common approaches to promote our objectives for these systems.
- Need governments to provide a funding pool that complements or matches private dollar pool for credits.
- How to ensure that government carbon allocations or auctions at the start-up of cap and trade systems can be used to fund/support our desired policy results.
- How to build resilience into forest management policies and approaches.

- Can we reach a conclusion about whether carbon offset trading within a cap and trade system is a practical system for managed forests?
- What portion of offsets should be allowed for forest-based projects (e.g., 20%)?
- What are acceptable offset rules, short of cap and trade?
- What are the funding alternatives for carbon conservation projects (e.g., carbon tax, forest management revenue sharing, land use planning processes)?

Key thoughts on Forest and Carbon campaign design

- **Fossil and Biological Carbon:** If we want to be taken seriously by society, we have to advocate for deep fossil fuel use reductions. Systems that involve forests can't be seen as just offering an easy way out. Fungibility between fossil and biological carbon is a particularly important issue and acceptability may be a matter of scale -- it may be acceptable for small projects; require qualifiers for medium size projects (discounting); and be prohibited for large projects
- **International scale:** Link efforts to Biodiversity Convention and include soils and peat in carbon accounting rules.
- **Boreal scale:** tell the story about multiple roles / services, including carbon, with aboriginal people as a key component of the story. Voluntary offset pilots could be a key way of telling this story.
- **Domestic regulation:** ENGOs should be looking to set the agenda for action. We need to be able to say: "here's what you should do" and position offsets as a transitional stage on the road to reaching a regulated cap and trade regime. This position must include clear timelines
- **Voluntary Offset Pilots:** There are many barriers to getting these up and running in the boreal forest and they may meet a lot of institutional resistance. However, the precedent value of a successful project or two could be enormous. If projects result in one or two communities securing payment for carbon storage or sequestration, this will be a far more powerful communicator than any briefing note based on theory or process.
- **Program Development:** ENGOs need to be pro-active to avoid having to react negatively to off-track policy proposals from government and industry. There is a need to recognize partial disconnect between forest conservation goals and carbon offset goals and, as a result, to not focus too narrowly on carbon sequestration. New international developments in requirements for carbon accounting and reporting with regard to land-use may be best suited to describing carbon storage values and impacts in peat and permafrost areas. Despite need to be pro-active, we will also need to prepare a defensive game to counteract proposals that will threaten conservation objectives
- **Carbon Trading Risk:** Carbon trading rules could encourage reduction in forest conversion from intact to managed but could also prompt intensified management on a reduced land base. We need to incorporate other factors such as biodiversity, resilience and Aboriginal Peoples survival. However, it will be difficult to push broader forest objectives using fairly narrow Kyoto rules
- **Voluntary vs. Regulatory:** Supporting voluntary offsets only adds value if it is linked to a campaign for a strong regulatory framework. But recognize that many of the challenges around voluntary programs are likely to be found in a government-developed regulatory program such as WCI as well. When identifying offset buyers it makes sense to identify less problematic purchasers such as universities, cities, and governments. ENGOs should collaborate with progressive companies on developing rules for effective systems.

Suggestions for key public messages and strategies for forest and carbon debate

1. Lead with a message that deep cuts in actual fossil fuel-derived carbon emissions are necessary. Offsetting will not get us the reductions necessary to address carbon build-up in the atmosphere.
2. Focus policy debate on value of protecting forests for their climate adaptation value as separate from value as a mechanism to sequester or store carbon emissions.
3. Prevent large scale land-use changes and conversion. This approach would complement, rather than possibly undermine, emission reductions. Destroying intact boreal destroys major carbon reservoirs and reduces the ability of ecosystems to adapt.
4. The macro level message about intact forests is that Canada has a huge responsibility -- and opportunity.
5. Advocate for implementation of regional land-use planning accompanied by a moratorium on development and in conjunction with aboriginal land-claim settlement processes.
6. Society needs to be looking at ways to maintain functioning ecosystems in the face of climate change by:
 - Avoiding fragmentation / protecting large areas
 - Creating or maintaining corridors /linkages and buffers (maintain landscape connections)
 - Ensuring conservation of large gene pools to protect adaptive ability of species
7. Communicate that elimination of intact forests will force Aboriginal communities to face dislocation and/or extinction of their traditional way of life. There is a need to develop strong images, comparable to those that show what climate change is doing to the arctic, to raise profile of Aboriginal people in this issue.
8. Communicate the risks associated with the combined impact of climate change and development.

Forests and Carbon Trading: Next steps for Program Planning

- Canada needs a climate change campaign that includes forest issues as one key component. This campaign needs to create the context within which action on forests makes sense. This means that strong legislated caps that decline over time must be legislated.
- Climate and forest conservation ENGO staff will be at Bali, Indonesia meetings in late November. Information exchange and discussions there will help to determine the best trajectory for next steps at the international level to address northern forests.
- Climate change and conservation ENGOs need to meet to develop and agree on approaches for designing credit systems and protocols within federal and regional initiatives and the voluntary processes that are underway here in Canada/North America.
- Complete our jurisdictional targets (regional, federal, international) and identify tactics for influencing each level.
- Link with U.S. groups that have been working in this area.
- Design campaign and identify needed resources.
- Planning and working meeting should occur early in 2008.



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