



Meeting Summary

December 2021 Meeting of the Forest Solutions Dialogue

Topic: Climate Action Teams for Forests and Lessons from New Zealand's Forest Management Efforts

Responding to the call for enhanced cooperation to accelerate action on nature-based climate solutions, the Forest Solutions Dialogue aims to develop models of cooperative approaches for forests under Article 6 of the Paris Agreement and provide participating countries with the technical and policy assistance to pursue such partnerships. Since May 2020, the Dialogue has met at least three times per year for 90-minute sessions on relevant topics, preceded by a background paper or other relevant materials. For more information on previous sessions and the concept note, please visit www.forestolutions.org. Forest Solutions Dialogue is an initiative of Climate Advisers. The December 2021 meeting of the Forest Solutions Dialogue was made possible with lead funding from the Government of New Zealand and additional support from the New York Declaration on Forests Platform.

The Dialogue meetings take place under modified Chatham House rules in which a summary is made available, but comments are non-attributable. The December 6, 2021, session of the Forest Solutions Dialogue focused on applying the Climate Action Teams model, developed by the Environmental Defense Fund, to forests to promote cooperation between countries to reduce GHG emissions beyond their NDCs. The session highlighted practical next steps for setting up high integrity forest projects and accounting in a “climate teams” international carbon markets model. The Environmental Defense Fund and Climate Advisers shared new thinking on circumstances where a Climate Action Team could enhance forest mitigation and propose how to integrate REDD+ into a Team’s crediting baseline. Experts from New Zealand then shared insights about high integrity forest accounting and mitigation.

Participants came from ministries of New Zealand, Canada, United States, Netherlands, Switzerland, Mexico, Chile, Peru, Suriname, Nigeria, Australia, Japan, Malaysia, Nepal, Singapore, and Vietnam. New York Declaration on Forests partners UNDP, Climate Advisers, and Climate Focus attended, along with representatives from EDF, WRI, Korea University, UNDP-Thailand, UNDP-AU, and UNDP Malaysia.

Article 6 update from COP26: Emily Mathias, who was the lead international carbon markets negotiator for New Zealand at COP26, provided an update on the Article 6 portions of the Paris Rulebook that were decided in Glasgow. Mathias explained that the Article 6.2 decisions provide the accounting, reporting, and review rules for all cooperative approaches; however, some remaining details will be determined through an upcoming work programme under SBSTA. Meanwhile, Article 6.4 provides for the centralised mechanism for parties to cooperate, while 6.8 provides the work programme for non-market approaches. She expressed hope that the mechanism under 6.4 could ease a significant amount of the

infrastructural and administrative burden off parties, but that much work remains before the mechanism (and its supervisory body) is operational.

Mathias also discussed the forest implications of these decisions. Overall, she emphasized that the REDD+ within Article 6 cooperation will depend on meeting the rules and requirements, and the SBSTA work programme under Article 6.2 and the mechanism development process under 6.4 will be important to follow for anyone interested in trading forestry-based mitigation.

- In Article 6.2, Mathias explained that the rules require parties to ensure that cooperative approaches have environmental integrity, including by considering baselines (including the use of BAU baselines), crediting periods, and monitoring periods; these are vital in ensuring the integrity of forest activities as well. She noted that ITMO-based cooperation must be based on emission reductions and removals, and there is an upcoming work programme item on the role of emissions avoidance in Article 6 cooperation. She explained that some parties continue to raise concerns over the environmental integrity of forest-based emissions avoidance in a mitigation market.
- In Article 6.4, Mathias explained that forest-based mitigation will be eligible, but also highlighted remaining questions on best practices related to downward adjustments, baselines, and additionality; another remaining question is how to fit existing REDD+ projects into the new framework.
- She also stressed that ensuring the protection of human rights and the rights of indigenous peoples should be front of mind in the development of forestry approaches given the sensitivities that come with land-based mitigation.

Lastly, Mathias expressed appreciation for the Climate Action Teams modeling work as an important step forward in designing concrete approaches to cooperation between countries under Article 6. She also expressed appreciation for the Forest Solutions Dialogue, noting that work in this and similar fora will help develop a common understanding of how forestry projects can be developed in the Paris era.

Climate Action Teams and Modeling Presentation: Suzi Kerr, Chief Economist of the Environmental Defense Fund, explained the concept of Climate Action Teams and how they could be applied to forests. She explained how under the CAT model, multiple countries would pool resources (partner countries) to help achieve transformation change in one country (the host country). This scheme, she noted, provides a flexible arrangement to achieve long-term, large-scale change beyond what countries could achieve if they “did it alone”. She emphasized that the CAT model should also help participating countries meet their current NDC and even commit to greater NDCs. Instead of being a purely transactional or commercial relationship, such as under the CDM or Article 6, Kerr emphasized the importance of trust-building between partner and host countries, with the goal of a durable, mutually supportive relationship. The goal is to assist a host country go beyond what they could do with their own resources—so emissions reductions are not measured from business as usual (BAU), but from the country’s emissions reduction plan.

Kerr also presented the first step in organizing a CAT: the modeling, using Chile as an example. CAT modeling seeks to determine emissions trajectories in the absence of a CAT agreement; that is, what the emissions pathways may look like if the country were to achieve its current goals of emissions reductions as laid out in their NDCs. This modeling creates a credible baseline, which modelers then use to create additional emissions reduction scenarios—i.e., what actions could be taken to lower emissions beyond the NDC level. From this information, the host and partners can create a credible plan for decarbonization and start an informed discussion on the pricing of carbon credits. Francisco Pinto from

Chile commented that the process has been ongoing in the country, and now that the modeling is complete, the next step is socializing the results and disseminating the information to policymakers.

Additional resources:

- More information is available at <https://climateteams.org/>
- Climate Teams mitigation modeling results were presented to the Chilean Government in September 2021: <https://climateteams.org/climate-teams-mitigation-modelling-results-presented-to-chilean-government-officials-september-2021/>
- Implementación de Equipos Climáticos en Chile: Una propuesta para combatir el cambio climático y la contaminación local: <https://climateteams.org/wp-content/uploads/2020/07/Climate-Teams-in-Chile-3.pdf>

Question, answer, and discussion on CAT followed.

- *Conditional NDCs*: An NGO representative asked if the modeling baseline used conditional or unconditional NDCs. Kerr answered that they have been using unconditional NDCs, but you could also use conditional NDCs if the finance to achieve the conditional NDC had already been provided.
- *Selling Credits*: A REDD+ jurisdiction asked when carbon credits would be sold to host countries. Kerr responded that there were two key considerations: funding and permanence. Selling credits early helps mobilize streams of finance, but you can't sell the credits too early, because you must ensure permanence. An option is to leave a buffer pool, only selling a portion of the credits in the early stages but selling more as you reach the end of the period.
- *High Ambition*: A developed country inquired into CAT's ability to build collective high ambition, particularly regarding next year's focus on NDCs. Kerr responded that the modeling was very helpful for high ambition actions because it allows host countries to lay out what they can do on their own, and how partner countries can support them in increasing ambition.
- *Choosing Partners*: An NGO representative asked what criteria should be considered when choosing a partner or host country. Kerr responded that the most important consideration is trust, as that is the basis for the relationship. Other considerations include: whether the host country has already done modeling or has a GHG inventory (this would allow a partner country to know the size of the opportunity); whether a partner country has any particular expertise that may be useful; and whether a partner country will have the demand for the units created through CAT action.
- *Article 6.2*: An NGO representative asked about how Article 6.2 may benefit from REDD+/CAT. Mathias responded to this question, noting that the work program established under 6.2 includes work on emissions avoidance and environmental integrity, both of which can be informed by REDD+ and CAT. She emphasized the value of the experiences created by these programs—including how they deal with capacity building, creating infrastructure, and monitoring and reporting.

REDD+ and CAT Baselines: Kerr then discussed how to nest REDD+ into the CAT baseline, while noting that “emissions avoidance” rules under Article 6 have yet to be finalized, and are in the upcoming SBSTA work programme. Conceptually, she explained that if REDD+ credits are sold internationally as ITMOs, the NDC would need to be adjusted, so the amount of abatement required increases. For countries to participate in CAT, certain preconditions must be met: the host country must have a clearly defined, economy-wide NDC; it must have an adequate national inventory system, particularly for sectors targeted, like forests and energy; and if it does REDD+ activities it must have an internationally credible baseline for them (i.e. like ART TREES), so countries can see what is “additional” to the BAU forest

mitigation under current policies and measures. When a country participates in both a CAT and REDD+, REDD+ ITMOs would only be able to be issued after the CAT baseline is met. As a result, the host country may be more likely to meet its NDC and sell CAT credits, while having fewer credits to sell internationally through REDD+. This is because those CAT credits are likely to be more valuable, reflecting the host country government's strong commitment to the integrity of the credits and the verification that occurs through the CAT process.

Question, answer, and discussion on REDD+ and CAT followed.

- *Readiness Funding:* A REDD+ jurisdiction commented that it is very difficult to fulfill all the technical requirements of these programs, because of the lack of funding during the preparation phase. They explained that their country has spent 12 years working on the REDD+ system and has not yet seen a results-based payment. The lack of initial funding, the slow timelines, and the low prices make these systems not as attractive. They explained this was a problem for REDD+, LEAF, and probably for CAT. For these programs to be worth it, the payment must be enough to make it an incentive to participate. They also noted the difficulty of engaging IPLCs in these programs, as the discussions get increasingly technical. Kerr responded that she agreed, it would be helpful to provide more funding for initial program phases, so countries can build the teams necessary to monitor these programs.
- *REDD+ Baselines:* A developed country inquired into the relationship between the REDD+ baseline submitted through UNFCCC and CAT baselines. Kerr clarified that the UNFCCC REDD+ baseline is a baseline for REDD+ only, not the entire country. CAT (and UN inventory) baselines cover all sectors—forest, energy, transportation, etc. However, having already done a credible REDD+ baseline could be a huge advantage to a developing country looking to participate in a CAT, as it provides assurances about the emissions trajectory and management policies for their forest sector.
- *Country-Specific Circumstances:* A representative from a REDD+ country espoused the challenges to these programs—technical deficiencies, hard-to-meet requirements, lack of funding, and their inability to connect with local communities. They expressed the need for a unique program that would speak to forest-dependent communities and show transparency and credibility beyond the existing options. Additionally, they emphasized the importance of the models being adaptable to country-specific circumstances and giving people the ability to use the models for their particularities. Kerr commented that this was an ongoing discussion with CAT and that in Chile, they were consulting with stakeholders and working together to solve some of these issues for Chile.

New Zealand Model: Experts from New Zealand shared key areas of focus for high integrity forest accounting and insights on how New Zealand is encouraging forest mitigation as a part of their domestic ETS and environmental regulations.

- Craig Elvidge, expert REDD+ reviewer, reflected on his many years reviewing REDD+ country reference level submissions for the UNFCCC. Elvidge explained that there are several purposes to the REDD+ technical review: to assess whether the party provided information in accordance with the guidelines; to support the capacity of developing countries' submissions; and publish a report to provide the basis for REDD+ and inventory improvements over time. He noted that a common area for improvement in REDD+ submissions is to include more reference points that are verified and ground-truthed, and to ensure that emission factors are representative. He noted that the expert review team publishes a report on the country's submission and main findings, and this report contains several actionable recommendations. Elvidge has seen that the expert review process assists countries in building capability and improving inventories.

- Deborah Burgess, from the Ministry of Environment, discussed how New Zealand built its Land Use Carbon Analysis System (LUCAS). She emphasized three key aspects of the system: a research program that works alongside their monitoring program to continue to grow their knowledge about forest restoration and degradation; a commitment to measuring data on the ground by counting individual trees in plots and aggregating the data; and a field check program to check if areas had been harvested or deforested. Together with spatial deforestation tracking and alignment with UNFCCC and KP guidance, New Zealand was able to create a high integrity system for forest carbon measurement. In terms of lessons for other countries in building their own forest carbon analysis systems, she emphasized the importance of planning ahead to ensure a sufficient number of field plots, and to carefully consider how to randomly and scientifically place plots, because good sampling data cannot be obtained retroactively.
- Lizzie Cameron, from the Ministry of Primary Industries, gave an overview of New Zealand's forest management and mitigation measures, highlighting the various regulations and government policies and how they work together. She highlighted NZ's ETS forest scheme which rewards carbon storage and requires unit surrenders for deforestation, and how a recent strong carbon price and improvements to the ETS are already driving increased afforestation and extremely low rates of deforestation. She also showed how NZ uses international guidelines for their NDC forest accounting and applies these to their ETS, and how they ensure they reflected their national circumstances. She also highlighted the current and future work to ensure the right trees are planted in the right places for the right purposes, and how forest mitigation policies can help to achieve wider socio-economic and environmental aims, including promoting indigenous people's (Māori/iwi) values and interests.

Question, answer, and discussion on the New Zealand Model followed.

- *Complimentary Policies:* An NGO representative asked what policies New Zealand implemented alongside their carbon pricing/ETS system, in response to critiques that in some places in NZ, there are "sheep where the trees should be and trees where the sheep should be." Cameron responded that NZ has some forest offsetting included in their ETS, which allows for the movement of carbon equivalent forests into more appropriate areas without incurring a unit surrender liability. Additionally, she highlighted a new feature of the ETS system which allows for pausing of units if there is an unavoidable natural event such as a fire within 3-4 years, those forests must be reestablished, to avoid incurring a deforestation surrender liability, and then units can start once again being earned. Elvidge emphasized the importance of having the right tree, in the right place, for the right purpose, and highlighted New Zealand's mapping initiatives to help identify the right kind of forest for each type of land.
- *Climate Change Impacts:* An NGO wondered whether climate change impacts and risk to current land uses were considered in NZ policies. Elvidge responded that adaptation is a key concern for the country, and there are ongoing discussions with landowners to assess how they can decrease emissions from land use and agriculture, and increase removals from forestry. Cameron added that a National Adaptation Plan will be published next year, and a key component will be supporting the reestablishment of indigenous forests.

Poll Results: At the end of the sessions, two poll questions were posed. Below are the results.

Technical Barriers to REDD+: *What are the two biggest technical barriers preventing cooperation on REDD+ under Article 6 (choose two options)?*

- Prioritizing mitigation contribution to own NDC (as opposed to international transfer)- 38%

- Finding country partners- 31%
- Challenge of nesting subnational efforts- 31%
- Determining a credible crediting baseline- 31%
- Quality of social and environmental safeguards- 27%
- Uncertainty in how to avoid double counting- 26%
- Accounting for permanence/addressing the risk of reversals- 11%
- Updating forest inventories and emissions inventories- 7%
- Other- 7%

Climate Action Team Next Steps: *On what topics would you be interested in further discussions or research on the Climate Actions Team approach?*

- Assurances the buyer and host country should provide each other (quality, finance, etc.)- 37.5%
- Further development of how to include REDD+ in a crediting baseline- 29%
- How to calculate a Team's agreed price per ton/pricing implications- 25%
- How to design and implement a modeling phase- 25%
- How to select countries for a team- 21%
- How the Team can build forest management capacity in the host country- 17%
- None- the model is not likely to be useful to my country- 4%