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Q&A: BRAZIL STATES GREET NEW LEAF INITIATIVE WITH CAUTIOUS OPTIMISM

Monica Julissa De Los Rios de Leal | Regional Director, Brazil

The new LEAF (Lowering Emissions by Accelerating Forest Finance) initiative announced during the close of the climate summit in Washington DC in April generated a wave of enthusiasm from long-time proponents of international climate finance for forests. Many felt that after years of waiting the stars had finally aligned to expand funding for forest protection in tropical regions, key to managing the climate crisis, through major commitments from companies. The initiative aligns government actors (Norway, US, UK) with multinational corporations (Amazon, Unilever, Salesforce and others) seeking to reduce their carbon footprint through the purchase of verified emission reduction credits from tropical forest regions. The LEAF Initiative pledges $1 billion in credit purchases from qualifying "jurisdictional" programs. Credits would be verified through the new ART/TREES standard, which lays out a series of requirements that jurisdictions must meet to be eligible to sell credits on the expanding forest carbon market. Monica de Los Rios directs EII's programs in Brazil, and says while there are still obstacles to overcome to participate in the LEAF initiative and concerns about when finance will actually be available, LEAF is like a "light in the darkness" for Amazon states working to protect forests with limited resources.

What is the potential LEAF and ART/TREES holds for accelerating finance for forest protection?

The United Nation's REDD+ (Reduced Emissions from Deforestation and Forest Degradation) program is the first and largest mechanism for financing nature-based solutions to climate change. Although REDD+ was initially framed as a mechanism for rewarding nation-wide reductions in emissions, the implementation of REDD+ was mostly through a project-based approach, offering carbon credits from individual projects that were usually limited in scope and tied to an array of differing standards and methodologies.

Consequently, there were a lot of risks involved, which is why in 2010 the State of Acre, Brazil created its own jurisdictional program for addressing deforestation comprehensively. I was part of the process as the first Technical Director of Acre's Climate Change Institute, charged with coordinating the design and implementation of the program. The idea was to slow deforestation systematically across the entire state through a broader rural development strategy, leveraging public policy while also ensuring the economic and social benefits of forest protection were shared equally.

But at that early stage demand for jurisdictional REDD+ credits—and hence the pool of available funding—was limited. As states in the Brazilian Amazon now work to implement their own jurisdictional programs to prevent and control deforestation, they confront extremely high development costs in a region of 30 million people where poverty is rampant and has only been made worse during the COVID 19 pandemic. In this context, the LEAF initiative is a ray of light in the darkness. It is the first to offer a standard and a framework for jurisdictional strategies that is both rigorous and is backed by ample demand from big companies, though there are still challenges ahead.

What are the implications of shifting to a jurisdictional approach as defined under the LEAF initiative for forest protection?

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The project-based approach that dominated the early stages of REDD+ will continue to play an important role, especially as more and more projects are designed to be "nested" within jurisdictional programs. And as it may take some time before jurisdictions are ready to sell credits through ART/TREES, nested projects can offer an alternative for these regions to tap into private sector climate finance. Projects will ultimately be constrained in their role, however, because of the way and scale at which they operate. Carbon credits through REDD+ projects come mainly from a reduction in deforestation, which means they are only available to those who have clear land tenure and can guarantee protection of standing forests in perpetuity. At the same time, REDD+ projects are only open to those who have the funding needed to cover associated costs, which is a very limited number of entities. I've already mentioned the lack of uniformity in standards and methodologies for counting and verifying project-based credits. But projects also operate on a smaller scale, limiting their impact

in terms of emission reductions. The ambition we need at the global level demands large-scale initiatives such as those offered through a jurisdictional approach. We don't have time to go slowly.

There are concerns the emission reductions that carbon credits represent are either temporary or non-existent. Are you confident that credits purchased through LEAF will represent true reductions?

The ART/TREES standard is very rigorous when it comes to measuring reductions, including the potential of over crediting. Rather than relying on projections and computer models, ART/TREES bases its measurements on historical patterns of deforestation and forest degradation. It also factors in uncertainties, including the possibility of leakage (where deforestation is shifted outside of a jurisdiction), requiring that jurisdictions reduce the number of credits claimed in such cases. And because the credits are generated at a jurisdictional scale, there is only one standard by which they are measured, unlike with project-based credits where standards vary, making it difficult if not impossible to compare credits across projects.

How do state governments in Brazil see this new initiative?

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Profil keberlanjutan yurisdiksi untuk Mato Grasso. Temukan lebih banyak profil di sini.

Under ART/TREES, sub-national jurisdictions—which will only be allowed to sell credits on the market until 2030—need authorization at the national level indicating measures to mitigate double counting of reductions and "corresponding adjustments" to the countries' progress towards its Paris Agreement commitments. While the current federal government supports the voluntary carbon market, it has yet to say whether it will support states in their sub-national initiatives as it weighs the potential impacts on Brazil's Nationally Determined Contribution (NDC) and on other sectors of the economy. This is the main concern now among the states.

Then there are concerns among specific states, including Mato Grosso, which saw a dramatic reduction in deforestation in the early part of the last decade. Under ART/TREES, that reduction isn't recognized. Instead, the state is being assessed on current rates of deforestation, which means it needs to prevent deforestation from rising. And this is where it becomes tricky, not only for Mato Grosso but for other states in the Brazilian Amazon, where the next round of statewide elections is scheduled for 2022.

It will be extremely difficult for any Brazilian Amazon states to receive payments through ART/TREES before the elections; for most, it will take several years. It is difficult to sustain the political will of governors to invest in forest protection strategies in return for payments that won't arrive until their successors take office. States such as Amapá, Maranhão and Tocantins—which have already taken steps to qualify under TREES—will need to spend money to keep deforestation low over the coming years, and it's money they don't have. Acre and Mato Grosso already have robust forest protection systems in place but will also need to invest heavily to meet ART/TREES requirements. Forest pressures in these states may differ, but they all face the same challenge, which is transitioning to a more efficient model of development. This is why funding for jurisdictional initiatives is crucial *before* credits are verified to support this transition.

What about indigenous peoples and local communities? How might they be impacted?

What is clear to me, at least in the case of Acre and Mato Grosso, is that through a jurisdictional approach LEAF and ART/TREES can make it possible to deliver REDD+ benefits to these communities. In Brazil, many indigenous groups have until now not been able to access funding through REDD+ projects because little deforestation has taken place in their territories. Indigenous peoples usually keep their forests standing, even when their territories are surrounded by deforestation. But because REDD+ projects focus on rewarding *reductions* in deforestation, their forest guardian role is not rewarded.

It is much easier to deliver finance to indigenous peoples through jurisdictional REDD+ programs. Oversight is important, to ensure rights are recognized and that indigenous communities have the autonomy to opt out of jurisdictional programs or to pursue individual projects. But under a jurisdictional approach, emissions reductions are measured and rewarded across entire states and

provinces, and benefit-sharing agreements are made for fairly allocating REDD+ revenues among sectors. If the program is designed in a way that ensures social and environmental safeguards are in place this new initiative could for the first time bring meaningful REDD+ benefits to indigenous communities.

And there is some precedent for this. In Mato Grosso funding from the REDD for Early Movers (REM) program (a pay for performance initiative backed by Germany and the United Kingdom) was distributed through a benefit sharing strategy. That strategy was developed in consultation with the Federation of Indigenous Peoples and Organizations of Mato Grosso (FEPOIMT), which led a process involving members of 43 different indigenous communities to define how the money would be used. And this was possible precisely because it was a jurisdictional program rather than a project.

What is EII doing to help states come into compliance with ART/TREES?

At the national level we are working to identify legal frameworks—including options for corresponding adjustments under Article 6 of the Paris Accord—that could open the door to the federal government allowing states to sell jurisdictional credits through the voluntary market. We are also currently working with Acre, Tocantins, and Mato Grosso to support their jurisdictional strategies and to identify existing gaps with the compliance requirements. This includes studies of what kind of legal entity will be required to sell credits as well as an analysis of benefit sharing models to ensure funds are equitably distributed and reach those responsible for forest protection, including indigenous peoples and local communities. There are a lot of options for using the emission reduction units and its revenues. They can go toward reducing the carbon footprint of agricultural commodities, for example, or states can allocate these funds toward support for projects on indigenous lands. We need to study all these options so that governments can decide on the best models among the many options they have.

What is needed to ensure LEAF/ART-TREES meets its potential?

What is needed is finance for states to develop their forest-friendly, socially inclusive development strategies and to become compliant with ART/TREES requirements. Such upfront investments would

send a strong signal of support to jurisdictions as they work to demonstrate results. They would create a pathway toward the transition to sustainable land use. The problem is that as deforestation rises in the Brazilian Amazon, many want to see if the commitments made by national governments will be met before any transactions take place. But without the necessary resources up front, including incentives to keep deforestation rates low, governments in Brazil—all of which are facing elections next year—will turn their focus to more immediate challenges, including health, education, and economic recovery.

And that is the tricky part at this moment.