WORLD BANK GROUP
Climate Change

Nesting of REDD+ Initiatives: Manual for Policy makers

Launch event

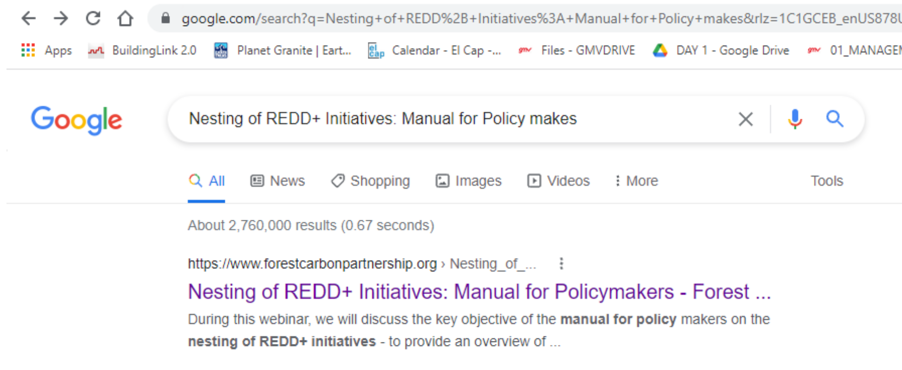
CLIMATE FUNDS MANAGEMENT

AGENDA

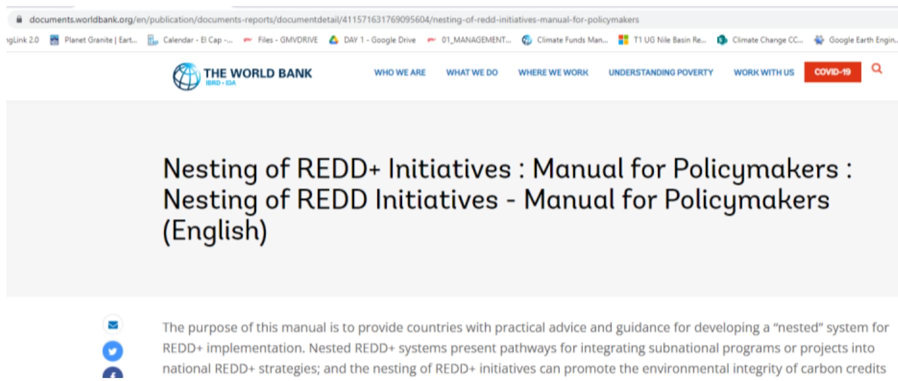
TITLE	Time (EDT)	Speaker
Welcome and Introduction	9:00 - 9:05 am	Andres Espejo, (World Bank)
Overarching considerations	9:05 – 9:20 am	• Charlotte Streck (Climate Focus) • Javier Cano (Climate Focus) • Mercedes Fernandez (Climate Focus)
Nesting elements	9:20 – 10:00 am	
Comments from REDD+ Countries	10:00 – 10:10 am	Javier Darío Aristizabal (Dirección de Cambio Climático y Gestión del Riesgo del Ministerio de Ambiente - Colombia)
Q&A	10:10 – 10:30 am	

How to access to the manual and DST?

Google

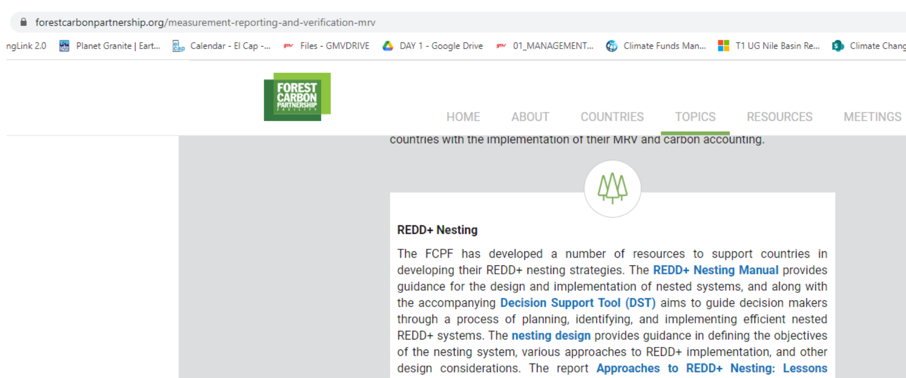


FCPF webpage



Manual and DST will be available in Spanish and French in December

WB Open Knowledge Repository



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HOUSEKEEPING

- Keep microphone muted
- Questions addressed via **chat** functionality in Zoom
- Live interpretation available in Spanish and French
- Webinar will be recorded and made available to all participants in the webinar page https://www.forestcarbonpartnership.org/Nesting_of_REDD%2B_Initiatives

Thank you and enjoy!

Nesting of REDD+ Initiatives: Manual for Policy makers

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Mercedes Fernandez

A Manual for Nested REDD+ Systems

The purpose of the Manual is to provide countries with **practical advice and guidance for developing a "nested" system** for REDD+ implementation. In doing so, the Manual responds to a need driven by:

- Increasing interest in REDD+ from voluntary carbon market buyers
- Emergence of operational jurisdictional programs
- Increased interest of private buyers to invest into REDD+ programs and projects
- Opportunities to attract finance and apply various investment modalities
- Criticism regarding the environmental integrity of projects and programs

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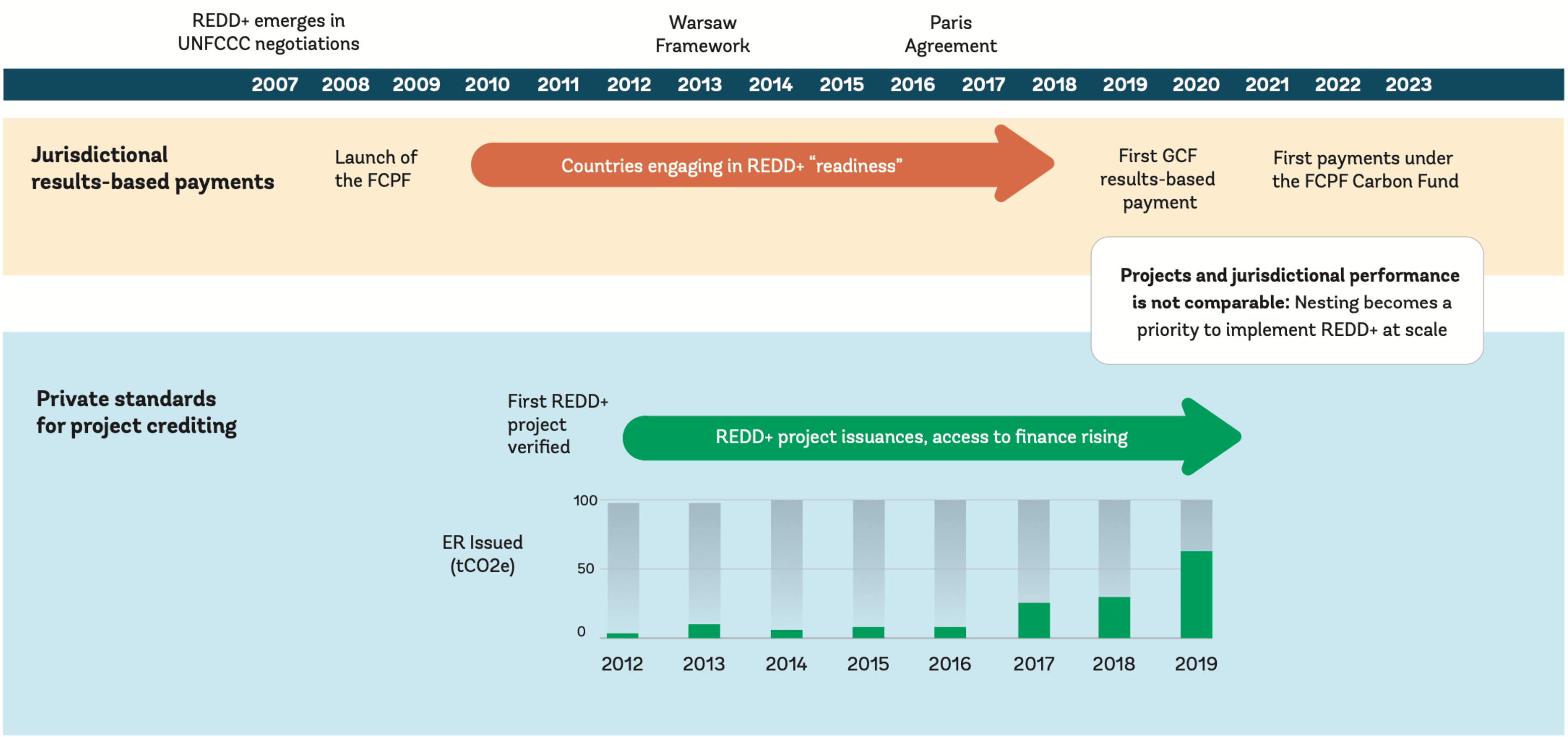
Development of REDD+



1. Overarching considerations

Why nest?

Objectives a country may consider when developing a nested system:

Optimize REDD+ finance

- access multiple sources of climate and carbon finance, including market and non-market opportunities
- enable private sector investment

Honoring the legal system and decentralized forest management

- promote REDD+ implementation at multiple scales and equity among actors participating in forest protection
- implement REDD+ in line with the existing land tenure and rights regimes

Align REDD+ with the Paris Agreement

- avoid double counting of emission reductions and removals
- optimize the contribution of REDD+ to the country's NDC

Create broad support for REDD+

- involve stakeholders on all policy levels in the design of REDD+ policies, programs and projects
- harness broad technical, financial and human capacity for REDD+ implementation

Key Policy Considerations

Key Question	Explanation
Which actors shall be incentivized through results-based climate, or carbon finance?	Whose behavior needs to be changed? For example, in order to reduce deforestation, is it primarily government policy that is needed? Or is it perhaps private action and investment in implementing existing policies? What type of finance will be most effectively deployed, or will provide the appropriate incentives to the right actors?
What climate or carbon finance opportunities are most relevant for your country?	Countries may consider the types of carbon finance they wish to access—from nonmarket REDD+ results-based finance, to market-based finance, or financing from domestic, international, or voluntary markets.
What is the best role for the government to play with regard to REDD+?	Government engagement in markets at the national scale entails the management of a country-wide ER program as well as responsibility for implementing activities, and ultimately for performance as well. At the other end of the spectrum, a country may allow projects to proliferate without accessing REDD+ finance at the national scale.
What characterizes your country's rules regarding land and forest ownership?	A country's system of land tenure and ownership and forest governance will influence the type of crediting that may occur within the country.
What is your view of voluntary carbon projects?	In many cases, nesting is the result of existing and/or emerging voluntary forest carbon projects. In some instances, countries may wish to encourage projects, while in others they may not be allowed.

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Four models for REDD+ Nesting

Centralized Implementation Model

Jurisdictional ER program (only) with benefit sharing

Key features:

- ERs credited at national scale (only)
- No forest carbon project crediting
- Government operates ER program and distributes benefits

Incentives
Focused on changing government policies

Rights
Forest estate is government owned

Finance
Only the government engages in markets

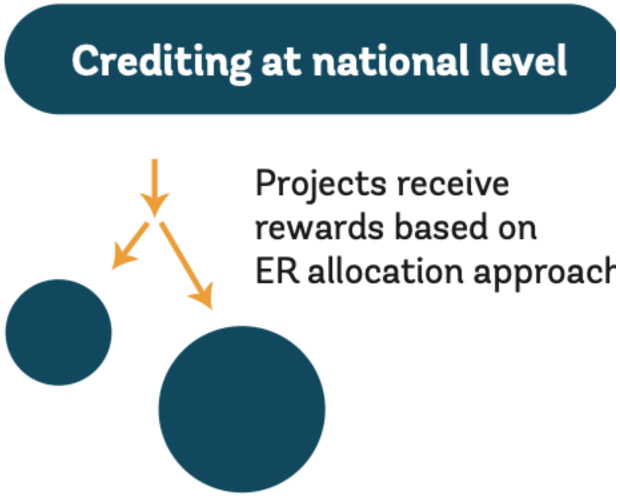
Benefits:

- Government has full control of ERs
- No worry about MRV mismatches
- Flexibility to channel payments to constituents
- Fewer REDD+ rules
- Simplified national accounting

Risks:

- Govt has full burden to achieve results
- No direct GHG incentives for non-state actors
- Limited carbon finance opportunities
- Relies on national capacity to implement REDD+ activities and manage ER program
- Possible litigation if benefits not provided to rights holders

Centralized nested implementation model



Centralized-nested
Key features:

- ERs credited up to national scale performance (only)
- Projects encouraged and receive rewards based on GHG performance (linked to national performance)
- Government control over ERs and distribution of carbon benefits via an agreed 'allocation method'

Incentives
Combination of state and local action needed

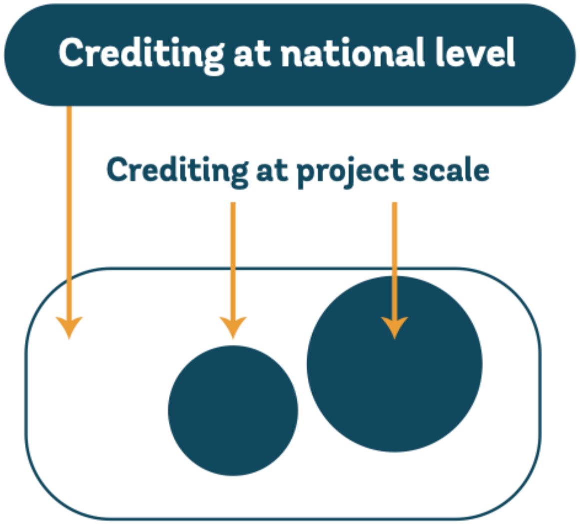
Rights
Forest management (in part) licensed to non-state actors

Finance
Non-market and carbon market-based finance

Benefits:
- Government control over ER transactions
- Some incentive for local action
- No "overselling" of ERs (beyond national GHG performance)
- Government claims right to carbon

Risks:
- Government remains liable for generating finance and incentives
- Private investment is stifled if project rewards depend on national GHG performance
- Risk of litigation if system does not provide full benefits to rights holders

Decentralized nested implementation model



Decentralized-nested
Key features:

- ERs credited at national and project scale
- Projects authorized to generate and market ERs (delinked from national performance)
- Government generates ERs through public programs and on public lands

Incentives
Combination of state and local action needed

Rights
Diverse land and forest ownership

Finance
Non-market and carbon market-based finance

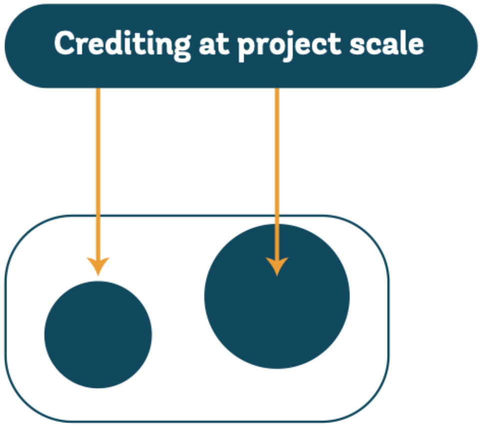
Benefits:

- Engages private sector finance, including potential direct investment and upfront finance
- Mobilizes local action and actors
- Recognizes natural resource rights of landowners, forest communities and indigenous peoples
- Alligns national and project MRV systems

Risks:

- Requires technical and institutional capacity
- Project ERs may exceed national GHG performance
- Carbon cowboys may expose the government to risks if left unregulated

Decentralized implementation model



Project crediting (only), no jurisdictional ER program
Key features:

- ERs credited at project scale (only)
- Projects are incentivized, may be regulated
- No RBF or sale of carbon credits by the government
- Government role is regulator, not ER program manager

Incentives
Focused on local action and non-state actors

Rights
Private lands with strong property rights

Finance
Private sector focus

Benefits:

- Engages private sector finance
- May catalyze up-front investment into REDD+ activities
- Simple and low risk

Risks:

- Performance limited to project areas
- Risk of inflated project crediting if not linked to natonal FREL
- Government does not access RBF or carbon finance

Comparison of REDD+ Models

	Jurisdictional ER program (only) with benefit sharing	Centralized Nested Model	Decentralized Nested Model	Project Crediting (only), No Jurisdictional ER Program
REDD+ strategy	Yes	Yes	Yes	Yes
Measurement, Recording, Verification (MRV)				
Jurisdictional FREL	Yes	Yes	Yes	No
Project level baseline and MRV	No	Yes	Yes	Yes
Allocation of ERs to activities and projects	No	Yes	No	No
Allocation of the FREL to activities and projects	No	Yes	Yes	Optional
Incentives to projects via…	Benefit-sharing arrangements	Sharing of jurisdictional ERs (or $ from them)	Ability to independently generate ERs	Ability to independently generate ERs
Risk Management				
Government bears the performance risks of projects	Not applicable	No	Yes	No
projects bear the performance risk of the government	Not applicable	Yes	No	No

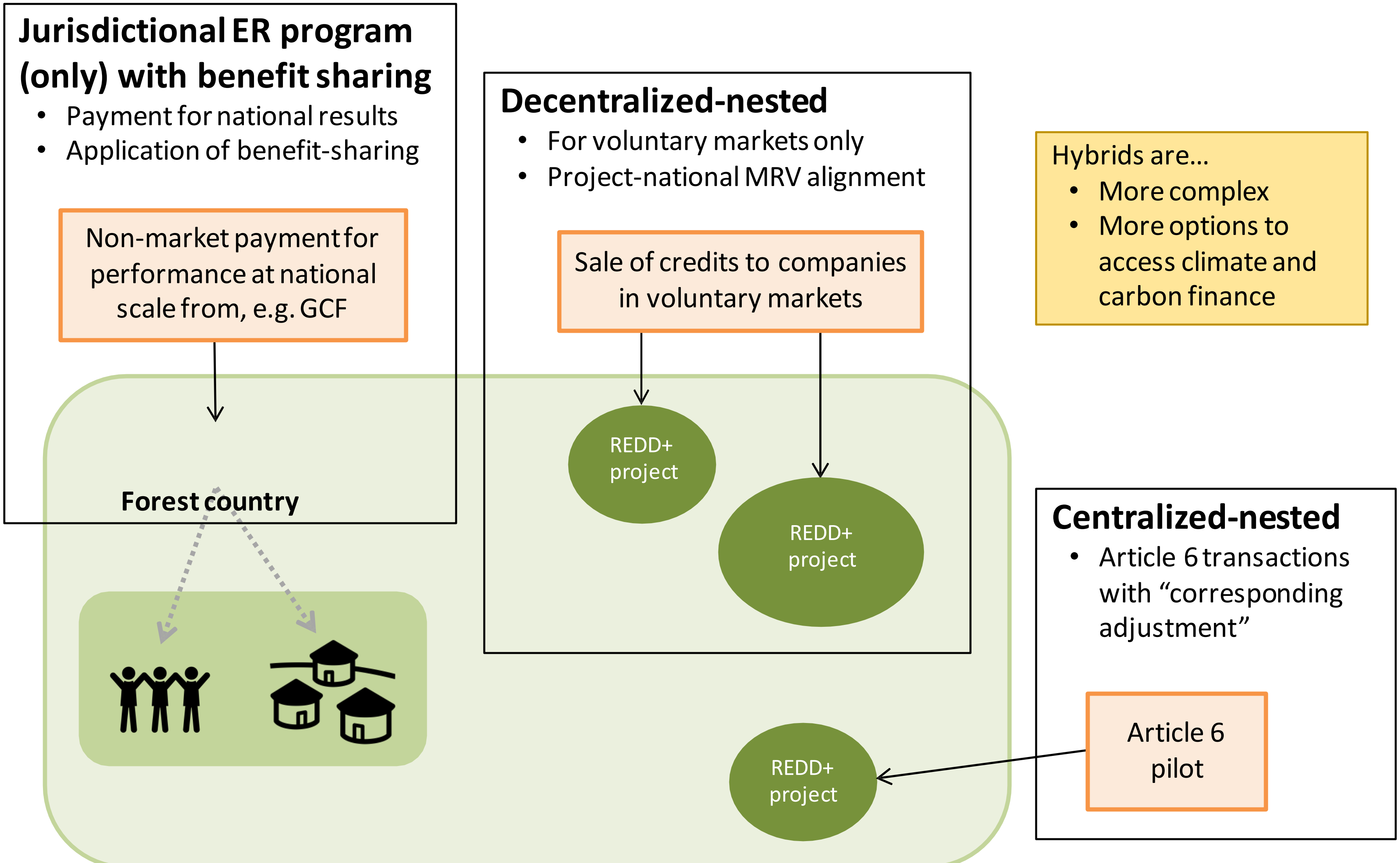
Design should be adapted to national circumstances

There is no one size fits all model…

- Countries can combine and operate elements of different models simultaneously
- Different models may be applied to different areas within the country
- Countries may transition from one model to another over time

Nesting is at an early stage of development:
difficult to establish clear-cut lessons at this stage

Mixed or „hybrid” model



2. Nesting Elements

Carbon Accounting and MRV

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Carbon Accounting and MRV
Implementation of Nesting Approaches

Decentralized nested

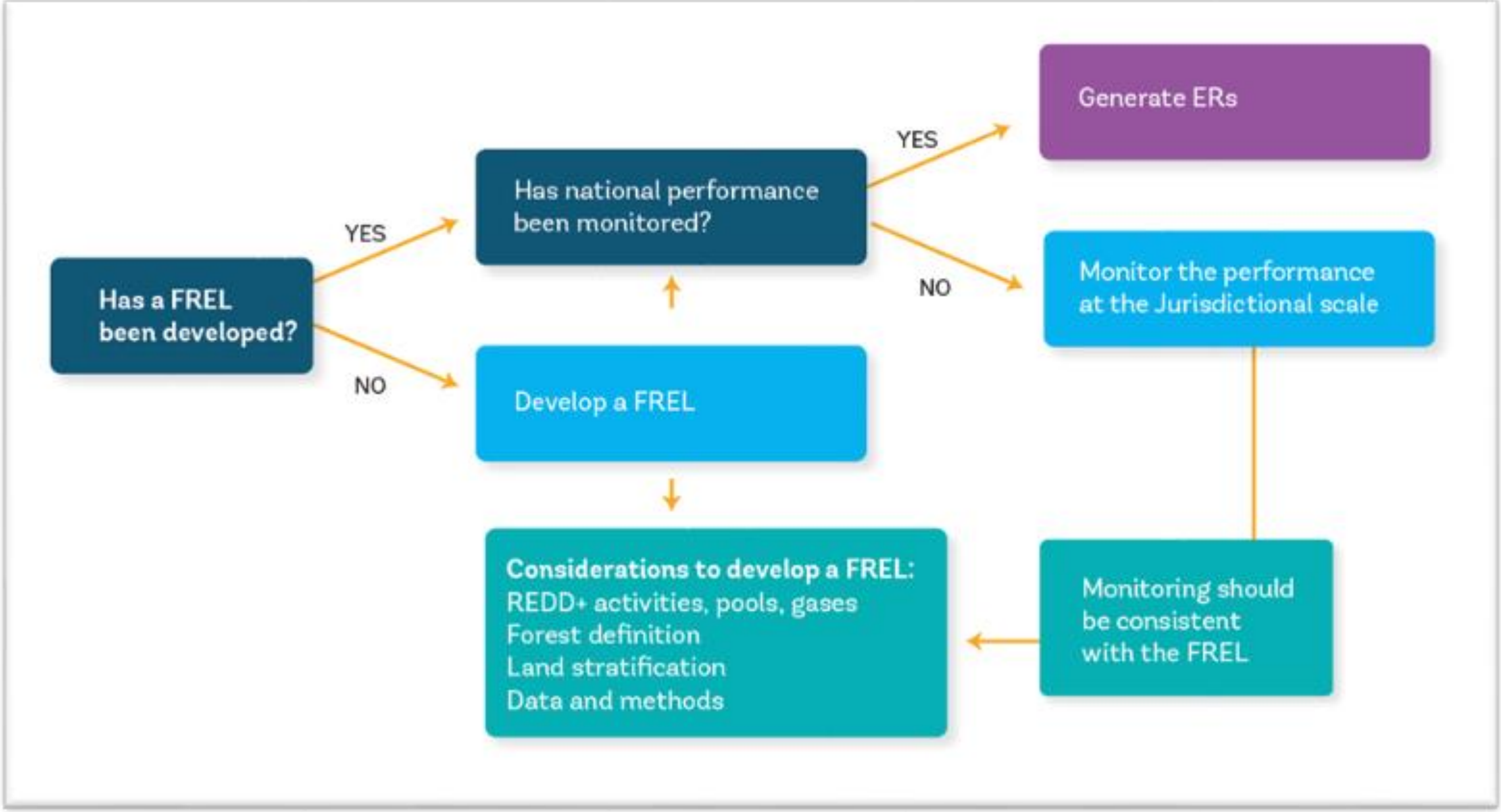
Project Crediting (only) No Jurisdictional ER Program

Carbon Accounting and MRV
Implementation of Nesting Approaches

Jurisdictional ER Program (only), with Benefit Sharing

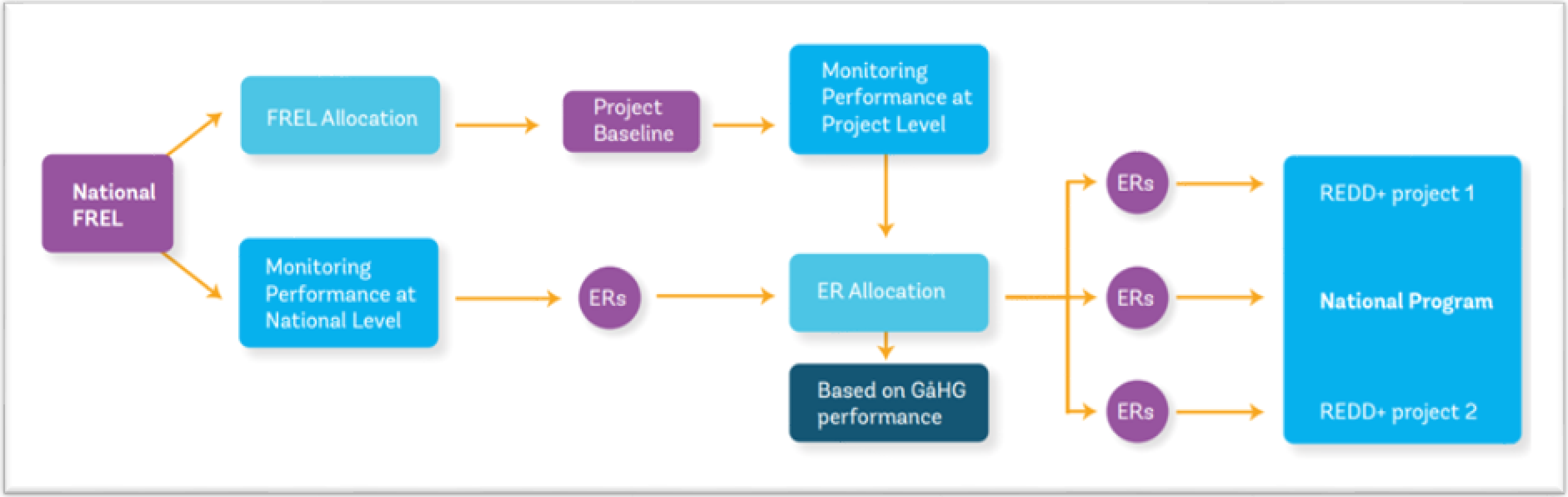
Implementation of Nesting Approaches

Jurisdictional ER Program (only), with Benefit Sharing Decision Making Process



Implementation of Nesting Approaches

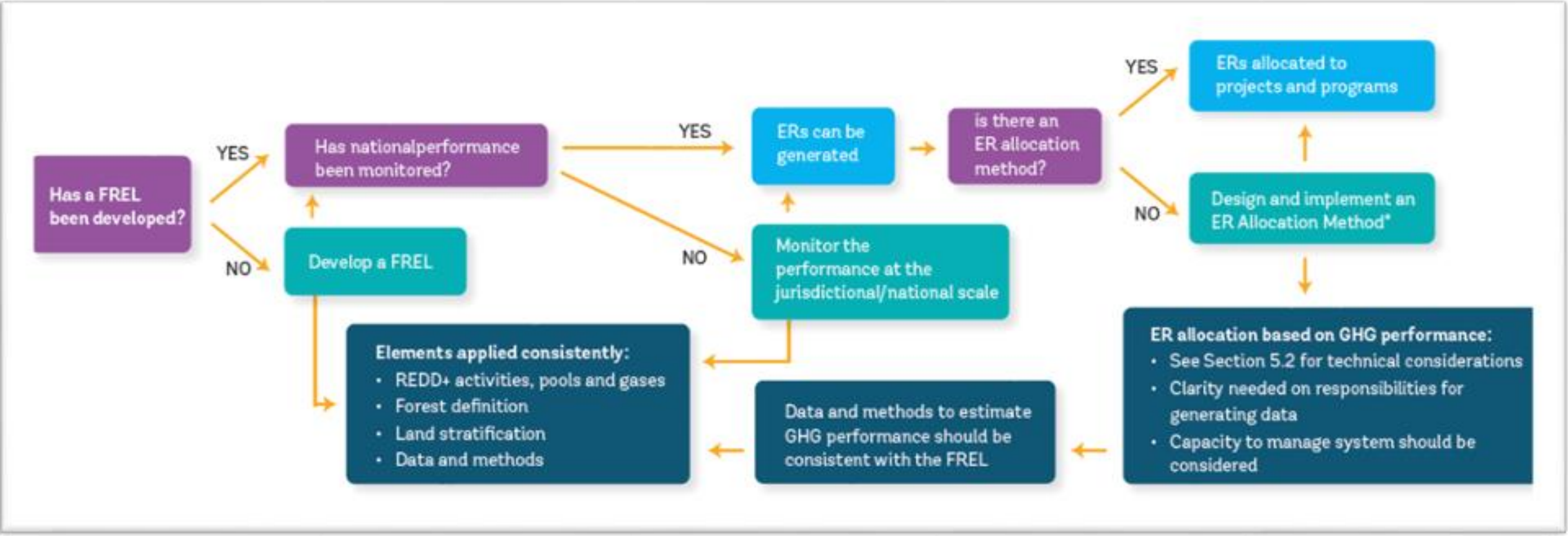
Centralized nested



Implementation of Nesting Approaches

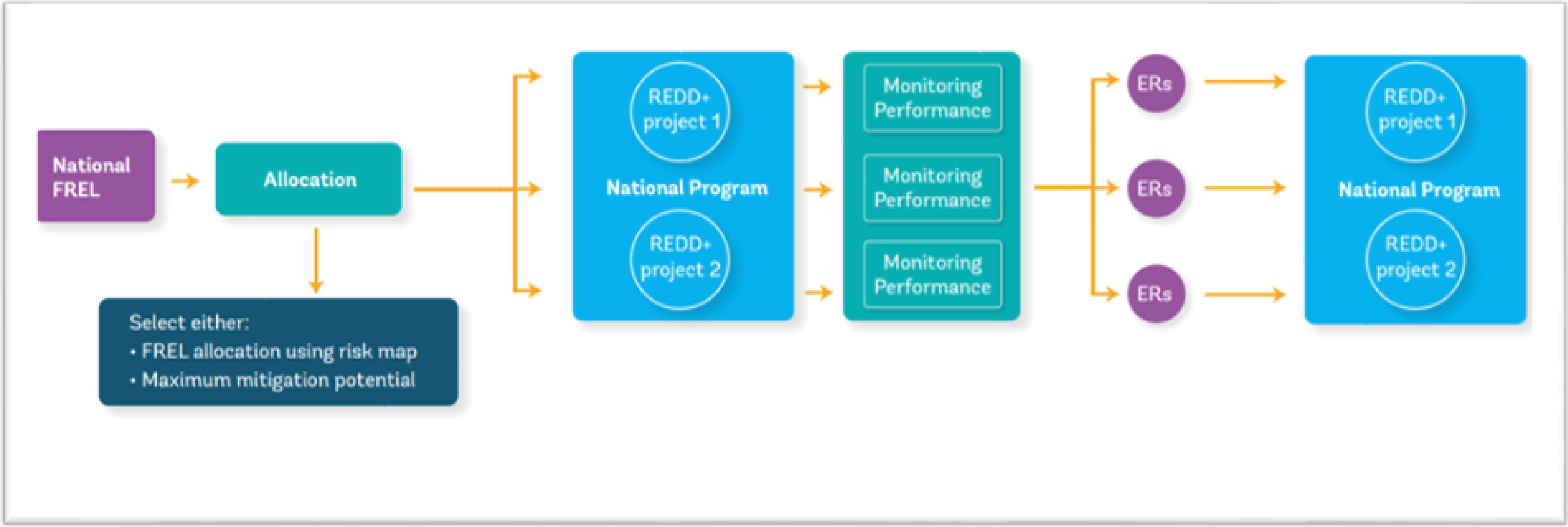
Centralized nested

Decision Making Process



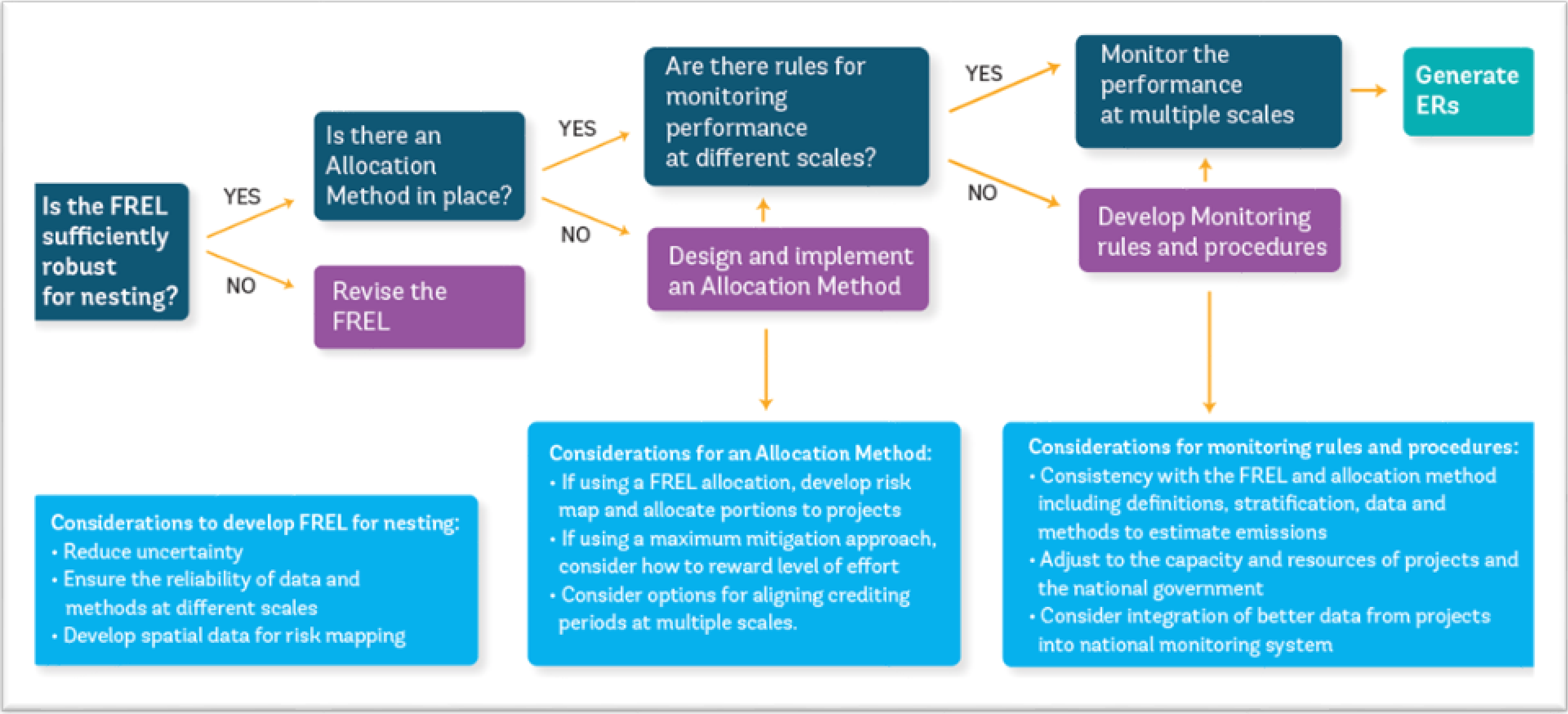
Implementation of Nesting Approaches

Decentralized nested



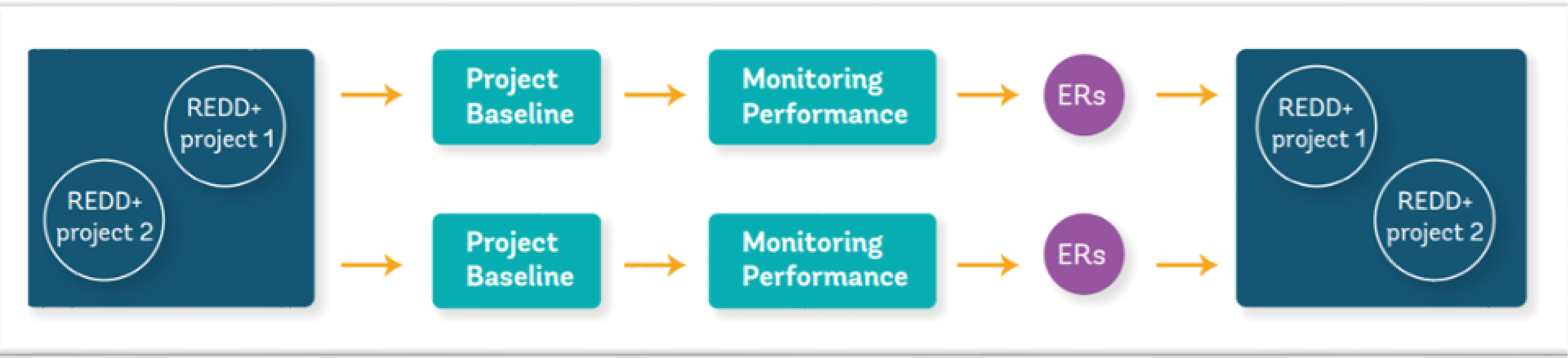
Implementation of Nesting Approaches

Decentralized nested Decision Making Procces



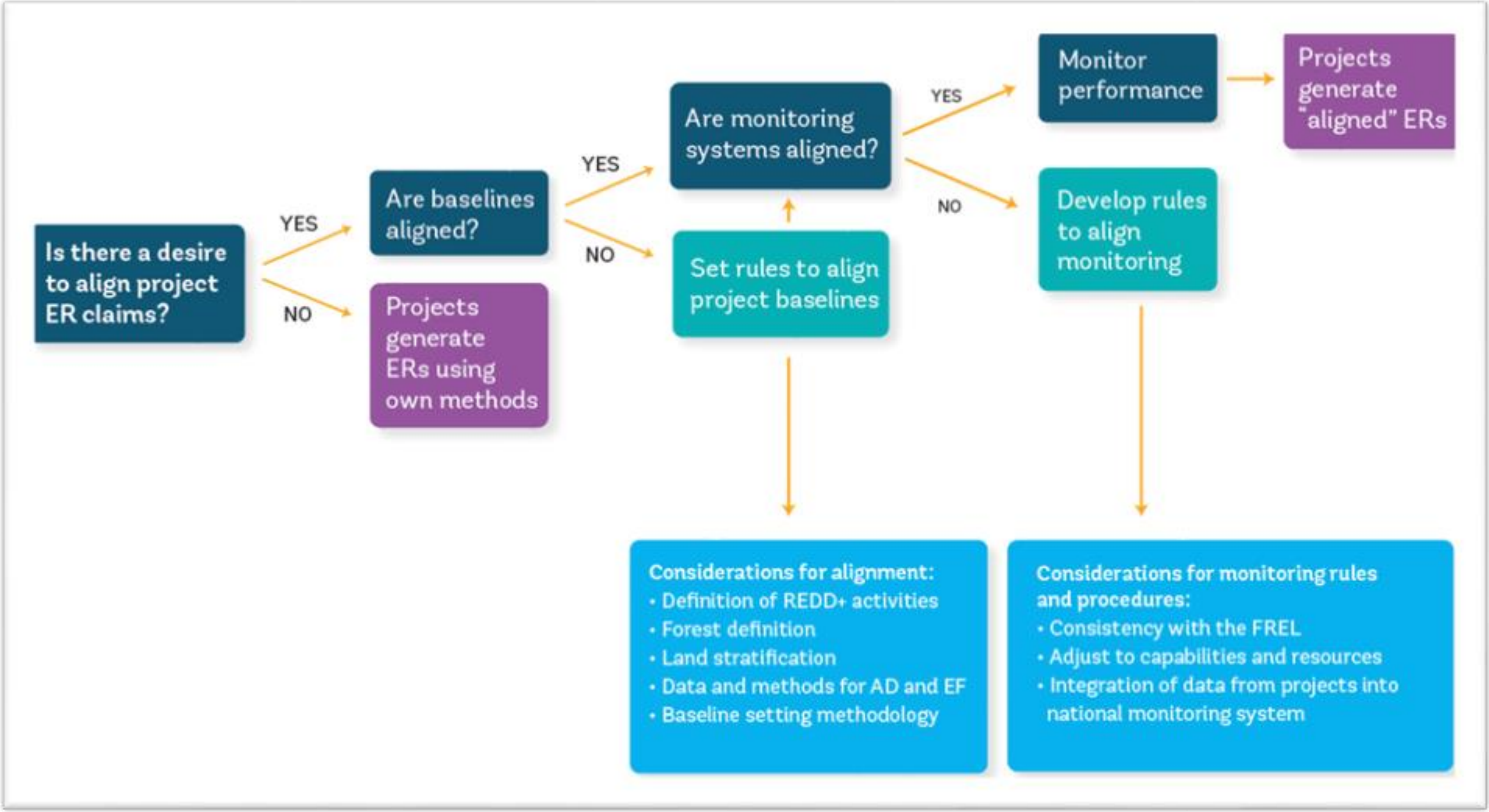
Implementation of Nesting Approaches

Project Crediting (only) No Jurisdictional ER Program



Implementation of Nesting Approaches

Project Crediting (only) No Jurisdictional ER Program Decision Making Process



Legal considerations

Land tenure and carbon rights

Type of forest land tenure / natural resource regime	“Carbon right” claims	Most appropriate nesting model
State controlled forest land, forest resources and forest management	• Carbon rights rest with the state • Only the state engages in the commercialization and management of ERs.	**Jurisdictional ER program (only) with benefit sharing**
State controlled forest land with licensed management by communities and private entities	• Carbon rights rest with the state • The state engages in RBF or carbon finance • Projects may transfer ERs if the state transfers carbon rights to private entities and communities that manage forest resources(rather than share of $)	**Centralized nested**
Recognition of a variety of property types and diverse land management systems	• Carbon rights rest both by the state and non-state (private community) entities • The state engages in RBF or carbon finance • Non-state actors are entitled to market and monetize carbon rights	**Decentralized nested**
Non-state entities (communities, private entities) control large parts of the forest land	• Carbon rights rest both by the state and non-state (private community) entities • Non-state actors control a significant percentage of land and forest resources • The state does not monetize carbon rights • Private actors engage in carbon projects, only projects transfer ERs	**Project Crediting (only), No Jurisdictional ER Program**

Benefit sharing

Issues: Benefit sharing

Government control over how benefits are shared	Allocation of ERs to local actors	Most appropriate model
Very strong, since the government is the body monetizing and managing funds received from ERs	• No direct GHG-based performance incentives for local actors (Incentives can be based on proxies to performance) . • Incentives received through benefit sharing arrangements	**Jurisdictional ER program (only) with benefit sharing**
Strong, since government manages allocation of ERs	• Incentives are based on ERs generated by projects • Rewards (payments and ERs) depend on overall performance of the national program.	**Centralized nested**
Moderate, as government has more limited opportunities to generate ERs	• Strong, as the structure is designed to enable direct project crediting. • Incentives abased on ERs generated/monetized directly by projects. • Projects have their own benefit-sharing arrangements (eventual compliance with national guidance on benefit sharing -protect local communities /IP	**Decentralized nested**
Weak, government does not directly receive benefits from ERs (but is enabling its political constituents to do so)	• Strong, as the structure is designed to enable direct project crediting • Compliance with national guidance on benefit sharing in order to protect local communities/IP	**Project Crediting (only), No Jurisdictional ER Program**

Safeguards

Safeguards

- National environmental and social safeguards are applicable to all REDD+ activities:
  - ➢ safeguard policies should apply to national programs as well as to nested REDD+ projects
- Safeguards applicability and enforcement may differ depending on the type of nested system chosen, but mainly on how a country has defined its national safeguards system
- Governments to define how the nested projects/programs will implement and report on safeguards compliance:
  - ➢ periodicity, content of information, safeguard indicators, safeguard compliance templates, list of minimum requirements.
  - ➢ Information should be included under national System of Safeguards information
- Recognition of safeguards requirements under voluntary standards.

Safeguards

Jurisdictional ER Program (only)

- Government fully responsible for implementing/enforcing nationally defined safeguards/ensuring safeguards are followed by subnational /local-scale actors that have access to REDD+ benefits

Project Crediting (Only), No Jurisdictional Program:

- Government needs to formulate its own safeguard requirements for private and community-led projects.
- Different safeguard requirements depending on type of project/involvement of various stakeholders (IP)/location of the project

Centralized-Decentralized nested approach:

- Apply both jurisdictional and project safeguard requirements

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Institutional issues

Nesting implementation

Consultations	Institutional Requirements	Regulations/ Approvals	Registries	Nesting model
Public consultations involving all REDD+ stakeholders take place at the national level	MRV, carbon accounting, Benefit Sharing, Safeguards tasks	No need of adoption procedures for projects. Need of legal basis for distribution of carbon finance	Simple accounting system If country only participating in nonmarket RBF: Data Management system Registry system if participating in market transactions	**Jurisdictional ER program (only) with benefit sharing**
At the national level and directly with REDD+ projects Should include technical discussions on FREL data and its use	Allocation systems (assigned emission reduction (ER) or forest reference emissions levels (FREL) need institutions designing and managing them	Approval procedures por projects and programs (MRV rules, benefit sharing conditions, access to registry; involvement of LC/IP)	Data management system or Transaction Registry (If ER are issued commercialized) ; Nested projects have specific accounts for recording performance	**Centralized nested**
			Transaction Registry with private accounts; or Third-party Transaction Registry; linking registries	**Decentralized Nested**
At REDD+ projects (discussed issues: safeguards requirements/benefit sharing.)	Safeguards, Benefit Sharing	MRV obligations by projects; safeguards, benefit sharing rules	Transaction Registry or Third-party Transaction Registry	**Project Crediting (only), No Jurisdictional ER Program**

Risk management

Risk management

Jurisdictional ER Program (only), with Benefit Sharing:

- Government carries the full performance risks, dependence on national RBF
- *Government should consider accessing various streams of finance to support a REDD+ strategy, including grants and budgetary resources*

Centralized nested approach:

- Project financing depends on government allocation of benefits, which may result in limited project investments.
- *Government could create a buffer pool and authorize ER sales by projects in case of government under-performance*

Decentralized nested approach:

- Government may be overly dependent on projects in achieving REDD+ targets
- *Government may approve Corresponding Adjustments only after REDD+ goals are met*

Project Crediting (Only), No Jurisdictional Program:

- Government has no access to RBF or carbon finance
- *Government may incentivize projects and private investments*

Questions?