CMIA Press Release
Eliasch Review
Nov 18, 2008

CMIA welcomes the Eliasch Review as the first study that systematically covers all issues around the need for, and the potential of, global forest protection and enhancement. It is urgent for the facts presented in the review to be communicated to policy makers and business.

The Eliasch Review supports the view that global cap & trade is needed to effectively tackle the issue of climate change. The most effective transition path for countries at different levels of development towards cap & trade would need incentive based approaches that are fully integrated into the global carbon market. Report findings suggest that immediate preparation to link developing country forests into existing carbon trading schemes need to be started as soon as possible. Eliasch stresses that only the combined efforts of the public and private sectors will be able to provide the necessary short/ medium and long-term funding requirements to halve deforestation by 2020, which is expected to require $11-19 billion per year from public and private sources.

According to the new IEA World Energy Outlook, the 2°C target is already becoming extremely difficult to achieve based on existing policies and technologies. The Eliasch Review shares the need for urgent action and estimates that forest protection could supply 3.5 GtCO2 per year in 2030. Scaling up market type mechanisms to incentivise emission reductions and provide for early action is needed to open access to incentive payments for ecological services for farmers and governments in forest nations. EU politicians are familiar with this concept from the Common Agricultural Policy and it is already being applied by selected countries outside EU, e.g. Costa Rica.

The Eliasch Review highlights that the net benefits of halving deforestation could amount to $3.7 trillion over the long-term, which equates roughly to the amount lost to date in the global financial crisis. The report stresses that the EU could take on more ambitious targets through increasing the quota for international credits, which would have a net positive environmental effect at same EU compliance costs. It is important to note that Eliasch Report modelling results show that EU carbon market prices would not be affected in Phase III by increased quota for offsets and forestry credits. Even a 50% quota for international offsets with uncapped inclusion of forestry credits would not have an effect on EU carbon market prices.

The EU Parliament Environment and Industry Committees, with cross-party support, have each now proposed amendments to the Linking Directive to lift the ban on forest carbon credits in the EU Emissions Trading System. The ban has effectively prevented investment in this vital sector. CMIA believes that a compromise can be found between European Commission and Parliament, which will also be supported by the Council of Ministers.

We encourage the UK Government, which endorses the Eliasch Review, to vote in favour of admitting forest-based credits into the scheme from 2013. The Eliasch Review offers the new Secretary of State for Energy and Climate Change , Ed Miliband, an opportunity to show climate change leadership and CMIA urges Secretary Miliband to “change the game” for tropical forests and carbon markets by supporting the admission of robust forest-based carbon credits to the EU ETS. We will shortly enter 2009 and be looking forward to the vital Copenhagen UNFCCC summit at the end of the year. EU leadership in tackling climate change has been fundamental. The election of President Obama now gives the EU a great opportunity to be even more bold and ambitious in its policies, where more urgent action on forestry should unquestionably be high up its agenda.

In light of the above, CMIA suggests the following compromise between Parliament and Commission:

1. **Linking directive should be amended to allow for forestry projects eligible under CDM/JI pre and post 2012**
   Explanation: EU should not take an arbitrary position and judge on projects that are UNFCCC approved (which in the forestry sector is only afforestation/ reforestation (A/R) from CDM).
2. **No cap for forestry CDM/JI projects pre and post 2012 should be introduced to Climate & Energy Package.**
   Explanation: Supply from A/R will be marginal but A/R is vital to back REDD efforts and secure global pulp and wood supply, so it shouldn't be left out. In parallel, CMIA will strongly advocate for improvements to LULUCF projects under Article 9 in Poznan, delete the concept of temporary credits as well as the forestry CDM/JI cap under the Kyoto Protocol. Since carbon sequestration is a slow process, there is no risk of market flooding
3. **The EU needs to define enabling provisions to allow for linking with other schemes in case of an international deal with Non Annex I countries taking on no-lose targets that include a crediting component post 2012. The EU Climate and Energy Package should contain an explicit "opener" that mandates the Commission to develop proposals on how credits from sectoral approaches, including REDD, should be considered in the context of the EU ETS and other community policies.**
   Explanation: It is the explained goal of the EU to expand emission reduction commitments beyond Annex I countries (Operational Objective No.4, Commission's proposal) and encourage voluntary action of developing countries. The risks of market flooding and associated price effects are not limited to REDD but shared by all sectoral crediting approaches. So far, no position has been communicated by EU and other Annex I countries on how to link to sectoral schemes that might/ will be part of the global deal. REDD is the first sector for which developing countries signaled willingness to reduce emissions. It is likely that it will part of an international deal and not be limited to CDM. The Eliasch review indicates that EU could take on stronger targets at same costs, if supplementary limits[1] are increased. E.g. at a reduction target of 30% with 50% supplement credits, forestry credits could be allowed without price effects.
4. **EU should take climate leadership and commit Governments to purchase pre-global deal (pre-compliance) REDD credits Governments 2008 – 2020.**
   Explanation: There should be a policy signal that Governments will purchase pre-compliance REDD credits (as proposed by the Commission) from early action projects. Given US interest in forestry sector, they would potentially join such approach.
5. **REDD credits should be allowed in the traded sector, once enabling provisions to link with other schemes 2012 - 2020 are defined. In addition, EU should encourage and reward private action in REDD by signaling to consider early action in context of international and EU policy.**
   Explanation: The Eliasch Review shows that public and private sector need to act fast and in conjunction if deforestation shall be halved by 2020. The Bali Road Map asks for pilot projects & it provides for criteria similar to what we know from criteria of Activities Implemented Jointly. AIJ projects where not credited, although this was communicated differently before. This mistake should not be repeated.

[1] Supplementarity limit in the Eliasch Review defined as "the proportion of credits from non-Annex I countries that Annex I countries and companies are permitted to use to meet their target".