Question #2 Safeguards / FPIC
- How can they be carried out in the negotiations on REDD finance mechanisms?

Comments
- Safeguards are better addressed at the national level because easier to address at national levels than to address at international levels
- Can have robust guiding principles developed at international level that influence in a non-binding fashion national level process but don’t predetermine the outcome of the national process
- No guidance yet on legal contracts under various property rights regimes
  - Recourse
  - Transferring, bequeathing, gifting, and selling forestry carbon rights across
    - Municipalities
    - States / provinces
    - Tribes
    - Nations
- No guidance yet on financial accounting for forestry carbon projects from the International Accounting Standards Board and Financial Accounting Standards Board
  - Are forestry carbon credits an absolute fee simple property right?
    - Intangible assets
    - Tangible assets
- What are safeguards and when are they needed in the REDD process?
- Safeguards for whom?
  - Primarily
    - Communities
    - Earth
    - Biodiversity
    - Water
    - Women
  - Of note
    - Finance
      - Sellers
      - Buyers
    - Legal
    - Permanence
- Can we endorse national stakeholder process and national standards setting process such as how PEFC endorses national stakeholder and certification process?
  o Barrier for entry to phase III if national safeguards are not met
  o Partial safeguards are met, then barrier for entry to phase III is adjusted over time
  o Full safeguards are met, then barrier for entry to phase III is minimal
  o Mimic Climate, Community, Biodiversity Standards Alliance national standards development and monitoring and verification approach (currently under development)

- Bilateral grants should have safeguards built into the process
  o Transparency
  o Participation

- Put FPIC, in spirit, in words in a more diplomatic manner
  o Mitigate China “blocking threat”
  o Possible relative synonyms for FPIC
    ▪ Look for possible relative synonyms and phrases for FPIC
  o Guidelines for “consultation (FPIC)” early engagement process
    ▪ The World Bank is promoting FPIC in FCPF and FAO / UNDP / UNEP in UN-REDD
  o Maybe FPIC will be in more detailed post-Copenhagen text(s)
  o What about countries that have self-supported REDD mechanism such as Brazil and others?
    ▪ Can they develop REDD strategies without honoring specifically FPIC?
  o Three FPIC solutions
    ▪ Market-based
    ▪ International
    ▪ Nationally Appropriate Mitigation Actions
  o Future stakeholders have no say
  o Dead stakeholders have no say
    ▪ Ancestral spiritual opinions

- Will investors always buy the best?
  o What do investors know about FPIC?
  o Do buyers understand FPIC?

- Organizations, nations, and governmental agencies need to enforce FPIC
Lacey Act is US legislation
- Will the US enforce Lacey Act legislation?
  - Safeguards is about enforcing the precautionary principle and the “do no harm” principle

Questions #3 Co-benefits
- Should REDD finance mechanisms be designed to ensure them?
  - If so, how?
  - Can UNFCCC achieve that?

Comments
- Loading REDD with too many ecosystem services and community co-benefits?
- Since biodiversity under Ministry of Environment which is the weakest section of many governments
  - Yet, in the same country, Ministry of Economics and Energy / Forests, Land management etc. must now implement biodiversity co-benefits
    - Improving biodiversity co-benefits unimplementable by Ministry of Environment
    - Improve CBD
    - Improve ecosystem services quality
  - Must have an ecosystem approach
  - Now forests must be valued for carbon, timber, and biodiversity / communal ecosystem services
    - Services are undervalued
    - Now must use universal valuation
      - Soil protection valued
      - Biodiversity valued
      - Water valued
    - (similar to Eliasch Review)
  - Need to link biodiversity offsets with forestry carbon offsets
    - 2007 biodiversity offsets trade in US valued at US$ 300 million (?)
  - Need to link water quality trading rights with forestry carbon offsets
    - 2007 water quality trading rights in US valued at US$ 1 billion (?)
  - Can we suggest “do no harm” to co-benefits under REDD? (safeguards)
    - “do no harm” to biodiversity
      - Must monitor and verify
    - “do no harm” to water quality
      - Must monitor and verify
Develop international funding mechanisms for biodiversity offsets and water quality trading rights

- Market mechanism such as
  - Malua BioBank
    - US$ 25 per 100 sq meters per year
    - Selling to oil palm producers
    - 33,000 hectares
    - Sabah, Malaysia
    - TIZ (Markit) is the registry

- Fund mechanisms similar to CBFF broadly speaking for biodiversity and water quality. Complexity of assigning empirical value to biodiversity – would be undesirable to link directly to REDD markets
- Monitoring and measuring biodiversity change and social impacts could be compulsory under multilateral/bilateral funds for REDD readiness and PAM phases.

- National level
  - CBD COP 10 will meet in Osaka, Japan 2010
  - Linking of biodiversity to forestry carbon

  - Look at “paper” protected areas
  - Develop specific funds for biodiversity credits or use CBFF
  - REDD is an adaptation measure
  - Funding appropriate “land-use planning”
    - Conflicting “land-use planning”
      - Mining versus forestry
      - Mining versus carbon
    - Multi-use overlapping

  - REDD is next great scale of large-scale land-use change
    - Part of countrywide development agenda
    - Part of long-term sustainability planning
    - Cross-sectoral nature

Question #4 Commitment Issue
- Should there be an option to “opt-out” by NAI countries?
- If so, in which phase?

Comments
- Yes, countries can opt-out
  - Contractual issue
  - How will this impact confidence in markets?
- Sovereign bonds are currently being developed to finance forestry carbon "Reddiness" with a partial periodic payment of forestry carbon credits to the bondholder
  - Direct insurance for forestry carbon
    - Reinsurance
  - Developing market quality
    - Assurance of completion
    - Transparency
    - Liquidity
  - Mandatory part of Annex 1 commitment yet voluntary for non-Annex 1 countries?
    - Moral hazard because "Brazil keeps everyone out of the market so as to benefit Brazil"
  - Maybe less than half of the countries will be able to receive funding under FCPF because of governance/capacity gaps
  - Can we develop a program similar to the Joint Implementation program?

**Question #5**

- **Triggers for moving through different phases with a finance focus**

**Comments**

- Pilots can start when ready
- Many pilots are being developed by
  - Not for profit organizations
  - For profit organizations
- Trigger to next stage should have indicators monitoring
  - Transparency
  - Local community development
  - Distribution of monies from national to local government
  - Biodiversity
  - Performance indicators
  - Water quality trading rights
  - Awareness throughout all stakeholder groups
  - International intergovernmental stakeholder approval
- Start with softer and then move to harder triggers and indicators
  - Due process
  - Countries need to know where they are at in the phase and how they are doing with the criteria