



Inside the Institute

Forest Conservation and Climate Change: US Role in International and Domestic Policy

SUMMARY OF THE 2011 PINCHOT DISTINGUISHED LECTURE WITH AMBASSADOR STUART EIZENSTAT

In his role as the chief negotiator for the US delegation for the 1997 Kyoto Protocol on global warming, Ambassador Stuart Eizenstat advocated for actions that would reduce the deforestation and forest degradation, which currently account for nearly a quarter of all greenhouse gas emissions from human activities. As the 2011 Pinchot Distinguished Lecturer on February 25 at the Cosmos Club in Washington, DC, Ambassador Eizenstat described the progress that has been made on avoided deforestation during subsequent meetings of the UN Framework Convention on Climate Change (UNFCCC), and outlined some of the opportunities he sees for US leadership on this issue.

Bridge the north-south divide by trading rainforest preserving "REDD" credits

In the years since the 1997 Kyoto Protocol, the international community has come to realize the potential of rainforests to serve as a point of convergence between developed and developing countries in dealing with climate change. Carbon dioxide emissions from deforestation account for around a quarter of emissions worldwide, more than the entire transportation sector. The top emitter in the world is China followed by the US, but Indonesia and Brazil come in fourth and fifth respectively — not because of their industrial output —

"Carbon dioxide emissions from deforestation account for around a quarter of emissions worldwide, more than the entire transportation sector."

but because of emissions from deforestation and peat burning¹.

Protecting rainforests is the least expensive way of addressing climate change, and is more cost effective than applying performance standards to smoke stacks. In addition, one billion people worldwide depend upon forests for their livelihoods, and half the world's species live in tropical forests. Reducing emissions from deforestation and degradation (REDD) provides incentives for developing countries to preserve their forests. In terms of conserving biodiversity and alleviating poverty, it is in the interest of the international community to encourage better forest and land management practices. Intact tropical forests help ensure that American farmers, ranchers and logging interests won't be undercut by artificially cheap wood from exploited forests, or agricultural products such

as beef, soybeans and palm oil for which large areas of tropical forests are still being cleared.

Undo the tragedy of the commons: value forest environmental services and capture revenue for landowners and taxpayers

President Obama is committed to the US taking action on climate change, but progress has been significantly slowed by Congress' failure to pass climate legislation that sets mandatory emission ceilings. Eizenstat noted that the Waxman-Markey bill that passed the House during the last Congress would have set mandatory ceilings, and was the best opportunity we've seen to establish the kind of cap-and-trade approach that is at the heart of the Kyoto Protocol. It could have created a win-win scenario; domestic forestry offsets would have given American corporations an inexpensive way to comply with emissions targets, while at the same time creating a new source of income for forest landowners in the US.

*Summary prepared by
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The full text and video of
Ambassador Eizenstat's lecture
is available at
www.pinchot.org/articles/338.

The Waxman-Markey bill would also have helped reduce deforestation, by assisting developing countries in preserving their tropical forests. The bill would have allowed companies to purchase “REDD” credits to be applied against their emissions allowances, with the proceeds going to developing nations to increase the value of protecting their forests. Currently, it is more lucrative for developing countries to clear away forests to produce soybeans or palm oil for export. As a result, tropical forests are still being cleared at a rate of one hectare (the equivalent of one football field) every second to make way for agricultural development. Once a tropical forest is cleared it is essentially impossible to replicate or replace. The Waxman-Markey would have added to the economic value of sustaining these forests, as living reservoirs to capture and store greenhouse gases.

Climate change legislation lost political support in part because it was depicted as a “cap-and-tax” bill that would kill jobs and raise energy prices by putting a price on carbon. Citing a recent study by the EPA,² Eizenstat asserted that neither of these characterizations is accurate, but that it is still unlikely that a Waxman-Markey styled domestic cap-and-trade bill will pass in Congress for years to come. An alternative approach, which Eizenstat labeled “cap and dividend” would cap fossil fuels emissions and return any proceeds back to American consumers. Several Midwestern senators have already endorsed such an approach.

Prove emissions trading works

The European Union’s Emission Trading Scheme (EU-ETS) — which trades carbon credits at around \$20/ton³ — is the only genuine cap and trade market that allows European companies or American companies in Europe bound by those standards to trade emissions. It will probably survive without a successor to the Kyoto Protocol, which expires



Ambassador Stuart E. Eizenstat Honored as Pinchot Distinguished Lecturer for 2011

On February 25, Ambassador Stuart Eizenstat was honored as the 2011 Pinchot Distinguished Lecturer, for his leadership in international policy on reducing deforestation, which still accounts for nearly a quarter of all greenhouse gas emissions from human activities worldwide. Video coverage and the text of Ambassador Eizenstat’s lecture, given at the Cosmos Club in Washington, DC, is available at www.pinchot.org/events/337.

Each year, the Pinchot Institute recognizes an outstanding conservationist who has exhibited extraordinary leadership in the way we think about and practice environmental and natural resource conservation — locally, nationally, or globally. As head of Covington & Burling’s international practice, and through more than a decade of public service in three US administrations, Stuart Eizenstat has provided critically important leadership on US and international climate policy, and in particular on addressing the substantial role that deforestation plays in adding to greenhouse gas emissions worldwide.

As Under Secretary of State in the Clinton Administration, Eizenstat led the US delegation in the negotiation of the Kyoto Protocol. When reducing emissions from deforestation became a contentious issue in these negotiations, this ultimately was left out of the Kyoto Protocol. But since that time, Eizenstat has worked steadfastly to fill this gap and bring deforestation into the development of international climate policy through the United Nations Framework Convention on Climate Change, and through numerous government, private, and NGO initiatives. Due in part to his sustained leadership, significant progress has been made on reducing emissions from deforestation and degradation during the recent Conferences of Parties in Copenhagen and Cancún. This includes a US commitment of at least \$1 billion for implementation of this program, announced by Agriculture Secretary Tom Vilsack at the Copenhagen meeting.

in 2012, but it doesn't yet appreciate the role forests can play.

Multinationals, multilaterals, US states, Canadian provinces, local governments and NGOs are taking more action than in 1997, reflecting the increased awareness of the need to act on climate change and forests. US Secretary of Agriculture Tom Vilsack committed \$1 billion in fast track financing for REDD projects in tropical forest countries, and USAID is also beginning to fund REDD projects. Entities under the World Bank and United Nations umbrellas such as the Forest Carbon Partnership Facility, UN REDD, the Forest Investment Program, and the Global Environment Facility in total have committed about \$2 billion to REDD and are providing technical support to 40 countries. Eizenstat also noted that the Millennium Challenge Corporation is about to make a \$500 million investment to Indonesia—some of which would go toward REDD projects. All of these foreign aid investments, he stated, should have a forestry component. Much progress has been made, but funding is still short of the estimated \$30 billion needed to cut deforestation in half by 2020.

In the absence of federal action, states within the US are becoming testing grounds to prove the effectiveness of emissions trading systems. The Regional Greenhouse Gas Initiative (RGGI) includes 10 eastern and mid-Atlantic states that since 2009 have required their ten largest power plants to buy allowances and offsets for carbon emissions. Cap and trade has been a successful, inexpensive way of dealing with the problem. From the sale of allowances \$800 million has been invested into clean energy programs, creating many new jobs in this field. Under California's carbon protocol, companies in that state can purchase forest carbon offsets from tropical forests in the states of Chiapas, Mexico and Acre, Brazil. A

Governor's Climate Task Force established under Republican Governor Arnold Schwarzenegger is working with 16 states and provinces in the US, Brazil, Indonesia, Nigeria and Mexico this year to design requirements for subnational units abroad to trade their forestry credits. Technically, there are no legal constraints to states within the US trading with other nations, only diplomatic ones.

Make Kyoto Protocol bottom up

The Kyoto Protocol resulted in top-down binding targets for industrialized nations. The US failed to ratify it, and China and India as well as other emerging economies were not obligated to meet any mandatory reductions. The goal was for the so called Annex I developed countries to reduce emissions by 5% from 1990 levels by 2012 but this has not been met.

However, it was Norwegian financial leadership and the US delegation led by Todd Stern that pushed the forestry agenda in Copenhagen in 2009.

The 2009 UNFCCC meeting in Copenhagen set the stage for a more inclusive, bottom up approach for developing countries to participate, while applying international standards and allowing international inspection and verification. Brazil pledged to cut its current rate of deforestation by 50–70% by 2020 and is already meeting that target. Indonesia is ending their slash and burn culture by placing a moratorium on peat land development.

China will reforest 42% of its land mass by 2050 in a "Great Green Wall" aimed at preventing the eastward expansion of the Gobi desert. This wall will be a 2,800-mile network of forest belts designed to stop the sands. Possibly the largest proposed ecological project in history, the Great Green Wall calls for planting more than 9 million acres of

forest at a cost of up to \$8 billion.⁴

India, Nigeria, Mexico, Gabon, the Congo and others are also stepping up with forestry efforts and investments. The Voluntary Carbon Standard (VCS) issued the first REDD credits to Wildlife Works to preserve 500,000 acres of forests in Kenya. The project is funded by South Africa's Nedbank Group, which aims to become Africa's first carbon neutral bank.

Is Kyoto dead?

While not yet legally binding, the December 2010 "Cancun Agreements" sparked life into a moribund international negotiation. UN Secretary General Ban Ki Moon has suggested that the process is now shifting from an internationally binding agreement to a low-carbon sustainable development initiative that will extend beyond the expiration of the Kyoto Protocol in 2012. Eizenstat feels that stronger US leadership at the next UNFCCC conference in Durban, South Africa, is critical to countries such as China or India making meaningful commitments to control greenhouse gas emission. The international community will expect developing countries to accept a shared responsibility for at least reducing the current increasing rate of emissions, all the while recognizing that poverty reduction is their number one priority. The Congo Basin, Brazil and Indonesia are where a disproportionate percentage of deforestation is occurring, so that is where the international community should allocate the most resources, and build on the commitments that Brazil and Indonesia are already making.

Smaller countries that also have unsustainable land use practices should be rewarded according to their level of effort. *Tropical forested nations should commit to reducing the level of deforestation by at least 50% by 2020. Verification relative to a historical*

baseline could be accomplished with the help of Google and NASA. Financial and technical transfers will be necessary to develop national strategies, implement action plans and build national capacity for monitoring, reporting and verification systems. International bodies approved by the United Nations can withhold back a certain number of credits in a buffer pool to manage the risk of noncompliance, leakage, or unintentional failures such as natural disasters.

Greater public policy certainty facilitates private voluntary action

As funding has fallen short, voluntary actors have stepped in. In 1997, US corporations were reluctant to support domestic policy action to mitigate climate change as they thought it would increase costs, reduce employment, and make it more difficult to compete against countries like China, which accepted no new obligations under the Kyoto

Protocol. Now many US-based multinationals are pressing for legislation that would provide greater regulatory certainty and spur investment. US Climate Action Partnership (US CAP) has brought together more than 25 major corporations and environmental NGOs to urge the passage of federal climate legislation.

In the absence of federal policy, some corporations have pledged to take action on their own. Walmart, with assets that total more than the GDP of 144 of the world's 192 countries and annual sales of more than \$250 billion⁵, is leading by eliminating 20 million metric tons of carbon emissions from their global supply chain by 2015. This is the equivalent of what would be emitted by four million cars. The Heinz Company announced a partnership with the Coca-Cola Company to put its ketchup in a new bottle made from plant materials to shift away from plastics made from fossil fuels. USDA reports that US farmers are adding

wind turbines, solar panels and methane digesters to their regular operations and that those who did so saved an average of \$2,400 per year on utility bills. These examples go to show that even without federal climate legislation and despite budgetary woes, the US and others are innovating. But government still has a key role to play in sending strong and consistent policy signals that encourage long-term planning, build confidence for business investment, and facilitate the shift to a new paradigm. ■

¹<http://www.fas.org/sgp/crs/misc/RL32721.pdf>

²http://www.epa.gov/climatechange/economics/pdfs/EPA_APA_Analysis_6-14-10.pdf

³<http://www.carbonpositive.net/viewarticle.aspx?articleID=2221>

⁴<http://www.wired.com/wired/archive/11.04/greenwall.html>

⁵http://www.forbes.com/2007/01/30/wal-mart-comps-the-world-biz-cx_tvr_0131walmart.html

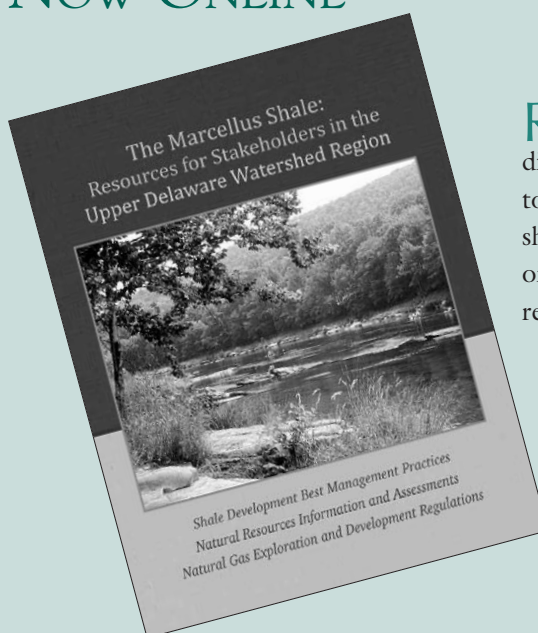
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