
Session 2 – Moving from Local Experiences to National Implementation, SFM at Different Scales, and Carbon Accounting and Registering – Q&A Session

(Q1: JIRCAS, Mr. Eiji Matsubara) My question is posed to Dr. Matsumoto. You have mentioned about the guideline, and you have indicated to mitigate the error from 20% to 30%. In that case, as a carbon credit, I think this is going to be less reliable. In a way, it would be a dubious credit. Right now, we do not really have the cost to it, but I think that if you make this error tolerance to 30%, I think that it is going to even lower the price, meaning that the profitability of the project itself is not going to work; it is going to be lower.

Secondly, I think this question is posed to you, Ms. Lee. You mentioned about additionality. For example, when it comes to Costa Rica, they are doing kind of an advanced preservation of forests. When it comes to additionality, they are currently engaged in the additionality part of it. Therefore, if it is going to be done under the REDD+ umbrella, then I kind of get the sense that there may not be sufficient credit from that. I was wondering what you have in mind for that.

(FFPRI, Dr. Mitsuo Matsumoto) Related to the error range, when it comes to the REDD+, the reliability would be 80%-70%. We would say that is the best we can do. When it comes to industry or energy, they are at around 3% or 5% of that error range level. However, when it comes to forests, I would say that would be the best case scenario. Therefore, an improved error range would not be simply applicable when it comes to forestry. Therefore, keeping that in mind we have to think as to what kind of mechanism we would be able to develop. Keeping in mind such an error range, we have come up with the idea of buffering.

When it comes to the credit price, the credit that comes as a result from REDD+, or the credit from other mitigation measures, we still do not know as to whether the two can be integrated or whether they should be separated. That would be a different problem. Therefore, there could be a situation that the credit price could vary. I think that this is subject to the discussion to be made.

(Independent Consultant, Ms. Donna Lee) Additionality: this is one of the most controversial topics when it comes to jurisdictional scale or national scale REDD+ and whether or not countries should be obligated to show that the emission reductions that they perform against a baseline are in fact additional. A number of financial contributors like Norway, Germany, and the Carbon Fund are taking different strategies to deal with the issue of additionality. If actions are at a national scale, we should not have obligations to countries to show additionality, because under the UNFCCC, developed countries, when they put forward commitments, they are not required to show additionality.

One option is to have developing countries who are putting forward reference levels and performing against them to show that they have actually taken policies and measures that are new, that

can be connected in some way to the emission reductions that have occurred. This is how the Carbon Fund under the Forest Carbon Partnership Facility is managing additionality. Countries have to propose that they are going to do X, Y, and Z new measures and that gives the donors some assurance that it was not just, for example, commodity prices dropping and that is why the emissions have been reduced.

Germany and its REDD+ Early Movers program is asking countries to take a conservative baseline and on top of that also to retire some credits as their own effort. Taking a kind of conservative approach is another way that some of these financiers are thinking about additionality for jurisdictional levels. Nobody wants to do go down the path of CDM and create these very complex and difficult additionality tests. At the jurisdictional scale, people are looking for new strategies to manage the issue of additionality.

You asked an interesting question about Costa Rica. I think Costa Rica is a very special case. If you look at Costa Rica's program, it is a mosaic, at least the program that they are putting forward to the Carbon Fund. It is lots of little pieces of land in which they have very specific activities that they are planning to do. They know those activities will lead to X amount of emission reductions for which they have estimated the amount of funding they can receive. They know this is not a lot of money. It is a little bit of money, but for Costa Rica, I think they are looking at this the right way. They see REDD+ as just part of the solution. They have a lot of other programs in the country that help to support reforestation and forest management. They see REDD+ as kind of incremental on top of that. I think this is a discussion that we will have in the next session, which REDD+ is part of the solution, it is not the whole solution. It can provide a small amount, but we have to be realistic about that and I think Costa Rica is and they have a good understanding of the limitations of REDD+.

(Q2: JICA, Mr. Kazuhiro Goseki) I have a question to Dr. Matsumoto, probably or partially related to the previous question. The JCM framework to be used in REDD+ implementation; there are some private sector companies who are interested in those activities, because REDD+ does not really require CAPEX, and while minimizing the initial investment, a private sector company may be able to generate a lot of profit. That is why they are interested. However, if they need to make payment for the credit in certain jurisdictions, I am sure JICA and ODA's project supporters are going to be given. It does not necessarily mean that our support will be provided to all the countries that are in need for our support around the world. They still need to do the development of the forest monitoring system. In doing so, they need to incur some costs. My question is: it is quite risky to generate the misperception that REDD+ can give an easy opportunity to earn money for the private sector companies. What do you think?

(FFPRI, Dr. Mitsuo Matsumoto) I have never shown that slide to JICA. That is my own creation

with my expectations. I thought that can be one option, especially when it comes to JCM. In this context, I thought that chart could be quite realistic. REDD+ has a huge expectation on it from various point of views, for example, REDD+ being cheap. At the same time, in order to initiate the project, quite a large amount of effort and financial support was needed. What you say might be true, but what the others say may also be true. I wonder where the reality is. Where is the truth?

You also mentioned the system, but the CO₂ one-ton price, is it going to be the same as the price in the other industry? I think this requires further questions. REDD+ is shallow and broad. For REDD+, you earn from area. You may generate a lot of credit, and that may impact the price in the actual industry.

As for the usage price, in the case the project in Cambodia, the Ministry of Forestry is always involved in the project. What we earn, half of them will be taken by the Ministry of Forestry, and the remaining half will come to the project. It is not purely about the price. Regarding the distribution of the earned credit, how do we want to that? That might be the central focus of the discussion.

You said that the credit might be cheap, or that operative credit will be further distributed, and distributed to the government. If that becomes mandatory, the level of the profit would turn out to be very low. Being able to generate a lot at one time, however net profit may not be as high as you may expect. I cannot say this for sure at this point in time, but I think we still need to look at both sides.

(Q3: International Christian University, Mr. Linas Didvalis) My question is about the connection between Japan's Verified Emission Reduction (J-VER) and this new JCM project. As Dr. Yetti told in the first session about how J-VER implemented more than 100 projects in Indonesia between 2008 and 2012. Around 80% of all credits generated during that time came from forestry projects. I was interested how this J-VER is different from JCM, and what experiences from J-VER you have; what improvements you can make from experiences in J-VER?

(FFPRI, Dr. Mitsuo Matsumoto) The J-VER scheme was developed by a group of people, myself included. I would like it respond to your question. 80% of J-VER credit is coming from the forestry sector. That is limited to the Japanese market. It is not what is done in Indonesia; it is what is done in Japan. There are a lot of activities within J-VER. Some of them are the plantations. The 80% you mentioned is related to the total J-VER project, including the projects outside of Japan. JCM is like CDM. It is within bilateral country to country relationship outside Japan. That is the biggest difference.

(Q4: University of Kyoto, Dr. Hiromitsu Samejima) I have a question to Dr. Matsumoto. As Ms. Swickard said, compared to other certifications such as VCS, if JCM is tagged to other VCS, for instance, not just VCS but CCS standard as well, maybe we can tag or combine different certifications and

projects. Do you have any plan to combine different certifications?

(FFPRI, Dr. Mitsuo Matsumoto) In Ms. Swickard's presentation, it was not explained, but in the printout, there is that relationship of JCM and VCS. In short, which one is the more rigorous criterion? The input and output of credit may differ, but my impression is, this is my personal view, not just REDD+ but in case of other activities as well, JCM focuses on operational. In other words, using default values with very simple accounting methods recommended to be used in other sectors as well. If you think about it, REDD+ and JCM is very operational, and probably what VCS looks for is more complicated. JCM is simpler, therefore the VCS earned credit through tagging could be converted to JCM, or could be equivalent to JCM, but whether the other way round is possible or not is a question. As mentioned, JCM is simple and allows default values. Therefore, JCM is simpler than VCS, I assume. Therefore, the JCM earned credit may not be convertible to VCS. However, we might be able to solve this problem by consulting with VCS. In order to make it possible, what sort of changes of standards do we need, we might have to sort that out. Anyway, that will be the future discussion.

(VSC, Ms. Naomi Swickard) I just wanted to add to that briefly that I was trying to be a bit provocative with that slide, but I think that there are perhaps a number of different ways that JCM and VCS could work together. We have already had a great time collaborating. Thank you very much for the opportunity to review what has been put together so far. We really look forward to making sure that this can be harmonized effectively.

(Q5: LRQA, Dr. Dave Mateo) I am from Lloyd's Register Quality Assurance (LRQA). We are one of the UNFCCC's designated operating entity verification bodies. My question is addressed to Dr. Matsumoto and Ms. Swickard. I think we have been talking about uncertainty here at the project level. At the end of the day, Ms. Lee also has put it very clearly, that there are risks involved here due to uncertainty. At the end of the day, assurance bodies like LRQA and JCM (called a 'third-party entity' for JCM) will be the one assuring all these credits, or if I may say, validate during the validation stage. My question is to Dr. Matsumoto being one of the developers of the guidelines. How is JCM looking into the liabilities for assurance bodies? The same question is also to Naomi if you have some opinion, please.

(FFPRI, Dr. Mitsuo Matsumoto) From the certification body, I want to ask how it can be assured. Of course, the third-party certification body gave us some comments so that we can make the mechanism more reliable, yet easy to operate. We are willing to recommend such a thing, and we need to consider the certification body as well.

(VSC, Ms. Naomi Swickard) At the moment, the VCS is intending to leverage the work that the VVB's (validation verification bodies) or DOE's like yourself have done at the project level, but the process for reviewing programs at a jurisdictional level is a little bit different. Within that, we have treated liability in a similar manner, which is to say that it does not make sense to hold the validator responsible for any error that may occur. If you have any more specific question, I would be happy to follow up with you directly.

(FAO, Dr. Maria Jose Sanz-Sanchez) I will just make a few points to try to capture the discussion. I am not a forester. I was supposed to be a scientist at one point in my life. When I hear people talking about uncertainties, we scientists have to live with uncertainties. This is part of the nature of science. I think for policymakers, it is also within their nature to take decisions in uncertain environments. We should not be afraid of uncertainties and try to narrow the uncertainties to a point that makes things impossible. This is just a lesson I learned in my former life.

If I have to summarize the discussion, I will say that we all agree that projects will not be able to solve everything. They can contribute to inform and to make things more clear or to address how to evolve methodologies and things like that, but we need the creation of these novel environments that will allow for the transformation we are looking for. This probably cannot be achieved by projects alone. This evolution of trying to scale up and nest into broader policies, regulatory systems, and engagement of governments that REDD+ is bringing to this discussion on how to move forest into a more sustainable environment, it is really important. We have to not lose this point.

This is a sentence that I will just put around, but sometimes the trees do not allow us to see the forest. I hope that these sorts of paths we are starting from by learning from what the projects are starting to deliver. We have to be aware that the projects are starting to give us results now. We still have to simulate that. It would not lead us to miss the point what is the goal and at what scale we really can make the transformation.