



Draft Fiji REDD+ Carbon Financing Guidelines V1, May 2011

Coping with Climate Change in the Pacific Island Region



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Executive Summary

The Fiji REDD+ Strategy specifies the development of a set of Guidelines for REDD+ Implementation containing the following guideline themes:

1. Governance (national and project scale)
2. Carbon Financing
3. Activity Types
4. Monitoring Reporting and Verification (MRV)
5. Safeguards
6. Legal and Regulatory
7. Benefit Distribution
8. International Policy and Technical Engagement

This report and the consultations that gave rise to it, focus on theme number 2: Carbon Financing.

The purpose of these Draft REDD+ Carbon Financing Guidelines is to steer REDD+ capacity development and implementation of REDD+ activities in a way that delivers on the purpose of the Fiji REDD+ Policy whose national framework specifies that:

...the Fiji REDD-Plus policy will “contribute towards the development of a national carbon trading policy” (page 26; section 5.1) and “strengthen the capacities to facilitate access to international financing mechanisms such as opportunities in the context of the United Nations Framework Convention on Climate Change (UNFCCC)” (page 64; policy field 6.6))

Where the Government of Fiji recognizes that:

Fiji has an opportunity to develop a programme to take advantage of financial instruments designed to reduce emissions from forest CO₂ sources, avoiding emissions from forest CO₂ sources, and enhancing removals by forest CO₂ sinks in Fiji.

And where the REDD+ Policy states that:

The REDD-Plus Programme will maximise benefits arising from carbon and climate-related financial instruments.

...

REDD-Plus initiatives will be open to all available financing instruments for the REDD sector from both market-based and fund-based sources.



These Draft REDD+ Carbon Financing Guidelines are organised into the following components:

PART 1 CARBON FINANCING

1. Carbon Financing

PART 2 CARBON RIGHTS

2. Scale of Carbon Rights
3. Easily Understood
4. Carbon Assets and Liabilities
5. International Treaty Obligations
6. Constitutional Issues
7. Land Tenure
8. Natural Resources and Carbon Pools
9. Logging Concessions and Forestry Leases
10. Creating, Registering, Holding, and Transferring Carbon Rights
11. Benefit Distribution Priorities
12. Pilot Projects

These draft REDD+ Carbon Financing Guidelines will be subject to a multistakeholder consultation process, followed by redrafting to accommodate necessary modifications and additions. They will then be submitted to Cabinet for approval as the 'Fiji REDD+ Carbon Financing Guidelines: Version 1 2011.' As with all of the guideline components for the overarching Fiji REDD+ Guidelines, these Carbon Financing Guidelines will be a living document and subject to updates through time as necessary.



Background To Fiji REDD+ Carbon Financing

BACKGROUND & TOR

SPC¹/GIZ² Regional Programme on Coping with Climate Change in the Pacific Island Region (CCCPIR), in close collaboration with its regional partner organisation, SPC, and main national counterparts, the Fiji Forestry Department and the Fiji Department of Environment, is working towards the development of a REDD carbon financing instrument appropriate for Fiji and its people.

Fiji is taking a phased approach in its REDD-plus programme:

Phase 1: aims to put in place policy and institutional frameworks for the implementation of REDD-plus and addressing capacity needs for the establishment of a national MRV (measuring, reporting and verification) system.

Phase 2: involves the development of a national REDD-plus strategy, the establishment of pilot sites and strengthening MRV capacities (towards Tier 2 and 3 level reporting).

Phase 3: implementation of the strategy, participation in a REDD carbon financing mechanism, and the establishment of an operational MRV and IPCC reporting system.

With the completion of the Fiji REDD+ Policy development in late 2010, the key stakeholders to the Fiji REDD+ Programme gathered to draft the Fiji REDD+ Strategy. The subsequent Fiji REDD+ Strategy specifies the development of a set of Guidelines for REDD+ Implementation containing the following guideline themes:

1. Governance (national and project scale)
2. Carbon Financing
3. Activity Types
4. Monitoring Reporting and Verification (MRV)
5. Safeguards
6. Legal and Regulatory
7. Benefit Distribution
8. International Policy and Technical Engagement

This report and the consultations that gave rise to it focuses on theme number 2: Carbon Financing.

¹ Secretariat of the Pacific Community

² Deutsche Gesellschaft für Internationale Zusammenarbeit



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Where the Government of Fiji recognizes that:

Fiji has an opportunity to develop a programme to take advantage of financial instruments designed to reduce emissions from forest CO₂ sources, avoiding emissions from forest CO₂ sources, and enhancing removals by forest CO₂ sinks in Fiji.

And where the REDD+ Policy states that:

The REDD-Plus Programme will maximise benefits arising from carbon and climate-related financial instruments.

...

REDD-Plus initiatives will be open to all available financing instruments for the REDD sector from both market-based and fund-based sources.

A guideline on forest carbon financing (including carbon trading) will support the implementation of REDD+ safeguards referred to in the REDD+ Policy. Due to the large percentage of customary landownership in Fiji (almost 90%), a carbon financing guideline will ensure that the interests and rights of resource owners are fully considered. It will also provide clarification over forest carbon property rights and promote the accountability and transparency of REDD+ projects. The guideline will serve as a template for the implementation of REDD+ both at national and sub-national level.

A Note On Terminology: Carbon Trading & Carbon Financing

When the Fiji REDD+ Strategy was in early stages of development (late 2010 and early 2011) it became clear that a full set of REDD+ Guidelines would need to be developed through time over the coming year or more. It was also determined that there was a more urgent need to develop the ‘carbon trading guidelines’ component of the overall set of REDD+ Guidelines. This is particularly relevant to the development of pilot project activities in the near term, as part of the process of moving toward the ‘implementation’ phase of the REDD+ Programme.

It is important to note, however, that REDD+ implementation in Fiji will potentially include both market (carbon trading) and grant (non-trading) financing sources available as part of the international suite of forest carbon financing for REDD+. For this reason, and particularly



because an international REDD+ carbon market (i.e. carbon trading) instrument may take many years to become available under the UNFCCC (if at all), it was decided to broaden the scope of the 'Fiji REDD+ Carbon Trading Guidelines' (and associated workshop process) to the more inclusive term: 'Fiji REDD+ Carbon Financing Guidelines.'

* * *

This report presents a context for REDD+ carbon financing and carbon rights in a Fiji setting and then presents a set of 'Draft Fiji REDD+ Carbon Financing Guidelines' arising from the multistakeholder consultation/negotiation process undertaken by the Fiji REDD+ Programme as of April 2011 (encompassing consultations and reporting from the 2010 Fiji REDD+ Strategy Workshop, working group consultations in March 2011, and the Carbon Financing Workshop on 20 April 2011).

REDD+ CARBON FINANCING IN CONTEXT

Background

Carbon finance for REDD+ in Fiji encompasses funds used for capacity building (readiness) and performance-based incentive payments for the implementation of REDD+ activities (i.e. those that generate carbon benefits to the environment).

The source of such funds may involve grant or market finance. Irrespective of the source of funds for either capacity building or REDD+ incentive payments, the ultimate focus of REDD+ is to generate REDD+ benefits to the atmosphere by means of payments for ecosystem services. The common emerging unit for ecosystem services payments is 'carbon units' of some form. Carbon units refer to a quantitative measure (in tonnes CO₂e) of either:

1. Reducing or avoiding a source of CO₂e emissions to the atmosphere, or
2. Enhanced removals (sink) of CO₂e from the atmosphere.

Under carbon financing, those who produce carbon benefits (reducing sources or enhancing sinks) can calculate the volume of carbon benefits (in tCO₂e) arising from a change in behaviour compared with business as usual, and claim performance-based incentive payments based on the volume of those carbon benefits. These are carbon sellers located on the supply side of the carbon financing equation. Those who have a regulatory obligation to reduce their emissions footprint (and/or have the option to purchase carbon units) may wish to pay for carbon benefits generated by sellers. These are carbon buyers located on the demand side of the carbon finance equation.

Entities on the supply and demand side of the carbon finance equation may include private individuals, organisations, businesses, financial institutions, large corporations, or countries. This depends on the particular carbon financing instrument in question. For example, under the Kyoto Protocol, developed countries that ratified the Kyoto Protocol can be buyers and/or sellers in a carbon market transaction under intergovernmental emissions trading.



This is because the Kyoto Protocol established an intergovernmental carbon trading mechanism that operates in a system of national scale carbon accounting. The Kyoto Protocol also provides for emissions trading between sub-national entities in the context of domestic emissions trading instruments such as the European Union Emissions Trading Scheme (EU ETS) and the New Zealand Emissions trading Scheme (NZ ETS). Here such trading operates at a sub-national scale of carbon accounting (including project-scale instruments). In some instances, such sub-national entities (e.g. businesses) are able to purchase carbon units from developing countries under a project-based emissions trading instrument called the Clean Development Mechanism. Here sub-national entities in developing countries that ratified the Kyoto Protocol are able to undertake projects that reduce emissions from sources or enhance emissions removals by sinks. Such projects generate 'carbon credits' for sale to national or sub-national scale buyers in developed countries.

International REDD+ Policy and Finance Uncertainties

In the REDD+ sector, the UNFCCC is yet to determine the architecture for an international carbon financing instrument. Such an instrument may be a national scale or sub-national scale (programmatic or project based) instrument. Such an instrument may involve grant or market based financing mechanisms. Furthermore, it is also possible that the UNFCCC fails to deliver a REDD+ financing instrument at all. This is because a UNFCCC REDD+ financing agreement is somewhat dependent on the global community delivering a post-2012 (i.e. post-Kyoto) global climate change agreement. Significant challenges to such an agreement are evident in the failure to meet the original 2009 deadline for such an agreement, and subsequent stalling of international negotiations in the climate sector since that time.

In the face of this kind of uncertainty, developing countries are forced to undertake their REDD+ readiness activities without a clear indication of how the implementation of REDD+ activities will be financed and what the rules for such finance will be. For this reason, most progress in REDD+ readiness in developing countries has been made in MRV dimensions of the REDD+ capacity building. This is because there is a much higher degree of clarity from the UNFCCC on MRV, with a decision from the Cancun negotiations in 2009, and also because MRV will be necessary irrespective of the kind of financing instrument that is developed.

In spite of this uncertainty in REDD+ financing at the UNFCCC, progress has been made in the provision of carbon financing from multilateral donors, multilateral banks, and the voluntary carbon market. Donors and banks are tending to support REDD+ readiness through 'readiness funds', and supporting the implementation of REDD+ activities through performance-based incentive payments using finance in 'carbon funds'. An example is the "Readiness Fund" and the 'Carbon Fund' of the World Bank Forest Carbon Partnership Facility (FCPF). The rules for disbursement of performance payments for ecosystem services (i.e. carbon benefits) depend on the particular finance instrument and its rules.



The voluntary carbon market has continued to develop systems of payment for carbon benefits through project-based carbon crediting instruments and associated quality assurance standards and rules.

A No Regrets Approach

When a country like Fiji seeks to progress the policy dimensions of its REDD+ readiness, it needs to undertake various forms of institutional strengthening, including the clarification of rules and guidelines for performance-based payments for the implementation of REDD+ activities. In the face of so many uncertainties in the international climate policy arena (at this stage of REDD+ development), there is some merit in preparing a system of guidelines and rules that could work in either a national or sub-national scale UNFCCC carbon financing instrument (i.e. a ‘no regrets’ approach).

This is an important consideration given the need to use existing international donor funds as efficiently as possible, to avoid having to substantially restructure REDD+ carbon financing guidelines and rules in the future once the UNFCCC situation becomes clearer. Furthermore, landowners and other private sector entities who choose to become early movers in REDD+ implementation, will want to have some confidence that the rules and guidelines will not suddenly change once (and if) an international REDD+ financing agreement is reached. Sudden changes in domestic policy (driven by international policy developments) could lead to injustices and associated grievances among landowners and their commercial partners.

Given the non-prescriptive character of the Kyoto Protocol, and given the widely varying national circumstances among developing countries, it is likely that a UNFCCC REDD+ financing instrument (if one ever transpires) will allow countries to arrange their domestic affairs as they see fit. This is likely even if the instrument is rolled out as a national scale mechanism (i.e. national scale carbon accounting, feeding into an intergovernmental carbon trading system).

Hybrid Scale Instrument

The Fiji REDD+ Policy specifies the preference for a “hybrid” approach to the scale of the National REDD+ Programme – one that takes advantage of national scale strategic management options intermeshed with project-based activities (perhaps rolled out as programmes of activities organised according to different activity types).

Under a purely national scale UNFCCC REDD+ financing instrument, carbon units might be issued to countries for measurable and verifiable changes in carbon stocks at a national scale over a given time period. The nation therefore, would be the counter-party to a performance-based incentive payment (either a market transaction or a grant payment). In other words, Fiji as a nation (e.g. lets call it “Fiji Incorporated” or “Fiji Inc.”) would be the one that trades carbon with another country or transacts with a grant provider under this scenario. This is similar to how the Kyoto Protocol works at the intergovernmental scale.



How “Fiji Inc.” goes about generating its forest carbon performance in terms of generating favourable changes in the national forest carbon balance would be up to Fiji Inc. (i.e. the government). Fiji Inc. could choose to declare that the government owns all forest carbon property rights – as was the case with the New Zealand Government at an earlier stage of the development of domestic climate policy in New Zealand. The rationale for doing so might include the (accurate) assertion that forest carbon accounting and associated credit management is most efficiently undertaken at a large scale (e.g. because of economies of scale, and also because developed countries need to manage carbon liabilities as well as assets).

Fiji Inc. could then roll out a domestic policy instrument (the National REDD+ Programme) designed to devolve the benefits gained from intergovernmental transactions in carbon credits to landowners in a way that maximises the benefits and minimises the costs to those owners. This could be a domestic scheme where the government makes direct incentive payments to landowners whose carbon stock management has demonstrably generated carbon benefits. Here the government treasury finances the direct incentive payments to landowners by means of the international funds it gains by creating and selling carbon credits at the national scale.

One of the advantages of this approach is that it can lower the complexity and cost to participating landowners. It can also provide an opportunity to strategically manage the distribution of benefits from national carbon stock management.

Strategic Distribution of Benefits

For example, consider a situation where landowners generate relatively small annual forest carbon benefits from a shift from high intensity selective logging to sustainable forest management. The annual net carbon and financial benefits might be relatively small because the difference between baseline emissions (high intensity selective logging) and project emissions (sustainable forest management) is relatively small, and the costs of project development are relatively high. However, the government may want to support this activity as a priority because of the non-carbon co-benefits such as community development, biodiversity conservation, water catchment protection, and the opportunity to boost the proportion of certified timber sold on international timber markets.

Under a national scale (and hybrid scale) forest carbon financing mechanism there is an opportunity to generate a relatively high (per hectare) volume of carbon revenues from lower cost, methodologically simpler projects (e.g. afforestation/reforestation) that generate a relatively high carbon return per unit of investment. The National REDD+ Programme could then strategically redistribute a proportion of these revenues to landowners running strategically high priority projects such as converting high intensity logging to sustainable forest management.

The key point here is that the strategic design of carbon rights are linked to both the scale of the financing instrument and the strategic design of benefit distribution systems in the REDD+ sector. Such systems of strategic redistribution lie at the core of international climate



policy under (for example) the principle of ‘common but differentiated responsibilities’ that see developed countries bearing most of the costs of global carbon emissions reductions (including emissions reductions in developing countries).

This kind of strategic model for domestic carbon financing, run by the National REDD+ Programme (and guided by its multistakeholder governance structure in the REDD+ Steering Committee) could conceivably involve assigning (by default and as of right) carbon property rights to landowners, who are then able to sell carbon units to the government as a means of gaining performance-based direct payments. Here, for example, the REDD+ Steering Committee could issue carbon units on the basis of project-based carbon accounting (as would occur in a pilot project), on the understanding that the government would buy those carbon units at the current international carbon price for this grade and vintage of carbon. The price the government would pay for these units, could be based on the price that the government gains from selling national carbon units at a national scale as part of aggregated transactions with intergovernmental or other international carbon trading or grant funding partners (e.g. with a small percentage (e.g. 1%) withheld from landowners to cover administration costs).

Under a hybrid model for national REDD+ carbon financing a government programme (such as the one suggested above) could operate in parallel to a purely project-based instrument that operated independently of government. Here landowners might have the option to sign up with a national programme or instead manage their carbon credit transactions independently of government directly in an international REDD+ carbon market. [Note that currently there is no UNFCCC project-based carbon market for REDD+ (and there may never be one), but there is an international voluntary carbon market available for project based transactions. The difference is that the voluntary carbon market tends to offer significantly lower prices than a compliance/regulatory (e.g. UNFCCC) market because the demand dynamic is very different (usually stronger) in regulatory regimes compared with voluntary regimes.]

Option For Project-Based Instrument

Under a project-based model, and using the contemporary situation as an example, landowners could develop their REDD+ carbon project and sell their carbon units directly in the international voluntary carbon market. Such landowners would be ineligible for selling their carbon units to the government. Through time, however, such landowners could decide to opt into a government scheme.

Indeed this latter model appears to be a potentially useful way to start a national REDD+ carbon financing regime, because it allows landowners to get started early should they choose, but provides them with the option to transition into a government run scheme if and when an international UNFCCC REDD+ carbon market develops.

Under both models, carbon property rights could be assigned to landowners, but the government reserves the right to assume ownership of carbon units that it purchases from landowners should the opportunity arise to develop a national scale instrument. Indeed this



option already exists with respect to some international carbon financing instruments such as the World Bank Forest Carbon Partnership Facility.

With these scale and strategic distribution issues in mind it is worth looking more closely at the carbon rights issues that would need to be clarified in a set of national Carbon Financing Guidelines.

FIJI CARBON RIGHTS IN CONTEXT

Carbon rights present complex legal issues that need to be resolved as part of the development of a National REDD+ Programme. Unlike MRV dimensions of REDD+, carbon rights are both complex and potentially controversial. As such, carbon rights need to be addressed carefully, clearly and comprehensively. The need for a robust carbon rights framework stems from the need to protect landowners and indigenous peoples from any potential exploitation by less scrupulous players in the carbon trading arena. Of particular importance is the need to ensure that carbon rights policy and regulation addresses the following:

- Easily understood
- Carbon benefits and carbon liabilities
- International treaty obligations
- Constitutional issues
- Different forms of land tenure
- Natural resources including different carbon pools
- Implications for logging concessions and mining leases
- Options for creating, registering, holding and transferring carbon rights
- Benefit distribution priorities
- Implications for hybrid model

Easily Understood

Carbon accounting and markets are enormously complex. This can be both a barrier to participation and also an opportunity for some to exploit those who do not fully understand the issues. For this reason it is worth attempting to simplify carbon rights issues as much as possible, and (where possible) base carbon property rights on existing systems where sufficient synergies exist. For example, there is an existing system of property rights associated with the timber industry. An understanding of the timber industry is already embedded in the rural economy, in the Department of Forestry, the Native Lands Trust Board, and in the public mindset. There is an option to develop the national system of carbon property rights and carbon trading modelled on the basis of the existing system of timber ownership, and then make modifications and adjustments where necessary.

This can make it easier for landowners and other market players to participate in REDD+ activities without having to completely re-educate themselves. Carbon projects can, in



practice, operate in a very similar manner to timber projects. In both situations there are a set of regulations guiding the activity. In both situations there is a resource owner who may engage a third party to provide technical and financial resources to the project in exchange for payment of some form, and the provision of payment to the resource owner (subject to contractual arrangements). In timber and carbon projects a commodity is created from a natural resource, and this commodity is sold in a market.

Carbon Benefits and Carbon Liabilities

It is worth developing a system of carbon rights that recognizes the potential for both carbon benefits and carbon liabilities to be assigned under such rights. In developed countries for example, carbon rights include liabilities as well as benefits, and the management of carbon liabilities is an important part of carbon management systems. It may be that the UNFCCC at some point assigns carbon liabilities to developing countries that seek to participate in and benefit from carbon financing in the REDD+ sector and it is useful to prepare for that possibility. Furthermore, as part of the government's domestic policy on REDD+, there may be a future decision to assign carbon liabilities to carbon property right owners whose forest carbon management is posing an avoidable liability to the national carbon balance and diminish the opportunity to generate foreign exchange in the carbon sector.

International Treaty Obligations

A national framework (guidelines) for carbon rights should identify relevant international treaties and should be consistent with Fiji's international obligations. Fiji is a signatory to the following treaties that contain provisions relevant to carbon rights:

- UNFCCC and COP 16 decision on REDD+ (which incorporates UN Declaration on Rights of Indigenous Peoples)
- *Convention Concerning Indigenous and Tribal Peoples in Independent Countries* 1989 (ILO 169)
- *Convention on the Elimination of All Forms of Racial Discrimination*
- *1992 Biodiversity Convention*
- *United Nations Convention against Corruption.*

Constitutional Issues

The assigning of REDD+ carbon rights potentially impacts on constitutional issues such as section 40 of the 1997 Constitution that provides that a person may not be deprived of their property without due compensation.



Different Forms Of Land Tenure

There is a need to clarify carbon rights issues with respect to different types of land tenure including:

- Carbon rights on Public land - State Lands (Cap 132)
- Carbon rights of landowners over Native Lands Act [Cap 133]
- Identify interest and role of Native Land Trust Board under Native Land Trust Act
- Will Native Land Trust Board negotiate or hold carbon rights on behalf of landowners?
- Consider recent Land Use Decree 2010
- Identify ownership of coastal zone and implications for carbon rights in mangroves.
- Carbon rights on land where forests are legally protected.

Natural Resources Including Different Carbon Pools

The assigning of forest carbon rights needs to take into consideration that forest carbon is measured in MRV systems in 5 different carbon pools: above ground live, below ground live, deadwood, litter, and soil carbon. There are also issues to consider with respect to the Forest Decree with numerous regulations and orders, including the current review.

Implications For Forestry Concessions & Mining Leases

It is important to consider and clarify how carbon rights affect and are affected by existing timber concessions. It is also important to identify process for resolving competing interests over land (e.g. where carbon rights may be affected by existing forestry concessions or mining leases or exploration permits).

Creating, Registering, Holding And Transferring Carbon Rights

Will carbon rights be created as a new property right? It may be important to consider how other jurisdictions have approached this, e.g. Australia (carbon sequestration rights are registered over land title), NZ, and PNG. In this context it will be important to consider whether and to what extent these systems are suitable for Fiji where land is held in customary ownership, and land administration system is different. If carbon rights are to be created, how will they be registered, held and transferred, and by whom? What are the risks (e.g. exploitation, corruption, etc).

Benefit Distribution Priorities

As indicated in the text above about carbon financing, there are important interactions between the assigning of carbon rights and the management of different models and



systems for strategic benefit distribution. Will benefit distribution be linked to carbon rights? If so, how?

Implications for Hybrid Model of Carbon Financing

Given the REDD+ Policy requirement for a “Hybrid” financing model for the National REDD+ Programme, it will be important to ensure that the assigning of carbon rights is compatible with this Hybrid model. In particular, there needs to be clarification over the relationship between

1. National scale carbon rights for purposes of international/intergovernmental carbon trading, and
2. Project-scale or programmatic carbon rights for purposes of participation in a government carbon financing scheme, and
3. Project-based carbon rights for purposes of participation in independent project-based carbon trading.



Draft Fiji REDD+ Carbon Financing Guidelines

The set of draft guidelines presented below is the result of multistakeholder REDD+ policy and strategy workshops undertaken during 2009, 2010, and 2011. The raw results of the carbon financing workshop and working group activities in 2011 are presented in full Appendix 2 and 3.

PART 1 CARBON FINANCING

Preamble

Recognising that the Fiji REDD+ Policy specifies that the Fiji REDD+ Programme will involve a 'hybrid scale' approach that allows for national scale, project scale, and programmatic scale activities;

Recognising that the international REDD+ financing community includes the UNFCCC process but also the financing instruments of other entities such as multilateral banks, multilateral institutions, and bilateral partners;

Recognising that the UNFCCC REDD+ financing process will potentially dominate the international REDD+ financing sector if a post 2012 international REDD+ financing agreement is reached;

Recognising that international REDD+ financing includes grant, market and market-linked financial instruments and that Fiji needs to be ready to work with this spread of instruments if it is going to "maximise benefits arising from carbon and climate-related financial instruments" as stated in the Fiji REDD+ Policy:

1. Carbon Financing

- 1.1 Fiji will adopt a 'no regrets' approach to carbon financing to enable it to take best advantage of the full spread of carbon financing instruments available. This will be undertaken by means of a national REDD+ financing instrument (e.g. the 'Fiji Forest Carbon Programme'³) designed to support landowner participation at low cost and

³ The term: 'Fiji Forest Carbon Programme' is used here merely as an indicative name and in no way pre-empts the naming of a national forest carbon financing programme.



high benefit with the option for landowners to opt into the programme or remain independent from it.

- 1.2 This national REDD+ financing instrument will be governed by the REDD+ Steering Committee and potentially run by the Fiji Forest Carbon Facility⁴ (FFCF: a management agency established under and reporting to the REDD+ Steering Committee).
- 1.3 The Fiji Forest Carbon Programme will be designed to accommodate different scales and types of international carbon financing (national, programmatic, project scale; grant, market types) and will provide a link between international sources of REDD+ carbon finance and REDD+ implementation activities on the ground.
- 1.4 The Fiji Forest Carbon Programme (or equivalent) will support the range of REDD+ activity types⁵ specified in the REDD+ Strategy:
 - a. Improved Forest Management - Reduced Impact Logging (IFM-RIL)
 - b. Improved Forest Management - Logged to Protected Forest (IFM-LtPF)⁶
 - c. Improved Forest Management - Low Carbon to High Carbon Forest (IFM-LStHC)
 - d. Reducing Emissions from Deforestation - Deforestation to Protected Forest (RED-DtPF)
 - e. Reducing Emission from Deforestation - Deforestation to Sustainable Forest Management (RED-DtSFM)
 - f. Afforestation/Reforestation (A/R)
- 1.5 Each of the activity types specified in 1.4 will be established as a programme of activities with the development of specific methodologies, eligibility criteria, and participation rules and designed in a way that minimises cost to participating landowners, and also contributes constructively to the national forest carbon monitoring system.
- 1.6 Each of the activity types specified in 1.4 will be subject to national scale forest carbon accounting undertaken by the Fiji REDD+ Programme.

⁴ The term 'Fiji Forest Carbon Facility' and its associated function is contained in the Fiji REDD+ Strategy and is envisaged as a management agency responsible for the facilitation of REDD+ implementation activities associated with a government run programme. Such terminology and/or functionality remains open for consideration by the Fiji REDD+ Steering Committee and associated stakeholders.

⁵ Activity types will be explained in more detail in the REDD+ Activity Types Guidelines – a subset of the National REDD+ Guidelines under development.

⁶ See Appendix 4 for an example of a detailed description of the IFM-LtPF activity type. Such descriptions of activity types will be elaborated in the REDD+ Activity Type Guidelines.



- 1.7 Each of the activity types specified in 1.4 will be supported by pilot projects to prove the concept, inform updates to the design of each activity type, and function as ‘inception projects’ to pave the way for new participants to follow.
- 1.8 The Fiji Forest Carbon Programme will involve direct payments to landowners for performance-based forest carbon management activities (modelled on the New Zealand Afforestation Grant Scheme).
- 1.9 The value of direct payments to landowners specified in 1.8 will be determined by the value of international forest carbon prices able to be commanded by the Government of Fiji in national scale forest carbon accounting and financing regimes (international REDD+ implementation grants or market instruments).
- 1.10 The Government of Fiji will establish an international forest carbon finance entity designed to engage in international forest carbon finance transactions to generate a supply of funds to be dispersed domestically in the Fiji Forest Carbon Programme.
- 1.11 The international forest carbon finance entity specified in 1.10 will be established as an off-budget entity potentially under the governance of the REDD+ Steering Committee or other appropriate off-budget financial governance body.
- 1.12 The point of establishing an off-budget financial structure for REDD+ implementation as specified in 1.11 is to enable Fiji to access REDD+ funds available only to off-budget financial management agencies, to provide enhanced transparency of the link between an international source of performance-based funds and the performance-based disbursement of such funds to landowners (in line with the REDD+ Policy to maximise benefits to landowners), and to increase the speed of financial transfers made possible by off-budget financial management structures.
- 1.13 Recognising that financial incentive payments for REDD+ activities need to compete with business-as-usual (BAU) commercial realities (e.g. logging activities and associated benefit generation); and

Recognising that to compete with BAU activities the flow of REDD+ finance needs to satisfy carbon owner aspirations for economic development in a way that is capable of matching what is offered by BAU. Therefore, the issuing of incentives to landowners needs to consider options for rewarding either demonstrated (past) or promised (future) delivery of desired carbon benefits⁷; and

Recognising that future delivery of carbon benefits is a common practice in international carbon markets (especially where near term cash flows are necessary to compete with BAU activities), and is linked to monitoring and non-delivery insurance-type and penalty conditions:

⁷ The term ‘carbon benefit’ refers to the net benefit to the atmosphere arising from forest carbon management activities. Such activities include reducing or avoiding emissions from carbon sources such as deforestation and forest degradation, and/or enhancing removal of emissions by sinks such as planting new forests.



The Fiji Forest Carbon Programme will offer landowners the option of *ex post* (delivered carbon benefits) or *ex ante* (promised carbon benefits) payments for performance-based with different conditions imposed on the different options, including:-

- a. Different monitoring requirements for ex ante and ex post payments with more rigorous monitoring required for ex ante payment options
- b. A maximum of 10 years of promised carbon benefits for associated incentive payments for ex ante option – even where the project may run for longer than 10 years (i.e. payments in a maximum of 10-yearly batches)
- c. Stringent non-performance penalties for ex ante option
- d. More rigorous insurance requirements for ex ante option
- e. The Fiji Forest Carbon Programme will levy all participants with a percentage of their project to be placed into a national buffer pool to manage non-permanence risk at a national scale with larger buffer requirement for ex ante option
- f. Lower per unit carbon payments for ex ante payment recipients to reflect higher risk to government compared with the ex post option, and the need to provide intergenerational equity for future landowners.

1.14 Landowners will have three options with respect to participation in the Fiji Forest Carbon Programme (FFCP):

- a. Opt into the FFCP and remain in the programme for a specified period (e.g. 50 years)
- b. Opt out of the FFCP and instead undertake REDD+ project activities in the international voluntary carbon market, with the option of coming into the FFCP at a future date but only after any obligations under the voluntary carbon market have expired (with evidence to support this)
- c. Opt out of the FFCP and not participate in REDD+ forest carbon incentive payments at all.
- d. The Government of Fiji will also use other policies and measures to support the Fiji REDD+ Programme where necessary and desirable (e.g. regulation, education, and other economic and non-economic policy instruments).

1.15 The Fiji Forest Carbon Programme will reserve the option to devolve carbon credits to landowners (instead of disbursing performance-based payments) if it decides that this is a more efficient means of managing a forest carbon financing regime, and if a market-based international REDD+ carbon financing instrument is offered in the international REDD+ financing community.

1.16 Recognising the need to maximise the distribution of benefits to landowners as specified in the Fiji REDD+ Policy, and recognising the contribution of an effective Fiji



REDD+ Programme to the international commons, the Fiji Forest Carbon Programme will endeavour to source international grant funds to:-

- a. Finance the administration of the Fiji Forest Carbon Programme,
- b. Finance project development support to participants where possible, and will only resort to charging a service fee if necessary.

1.17 The Fiji Forest Carbon Programme will only resort to charging participants a service fee if there is a lack of international donor funds for a. and b.

PART 2 CARBON RIGHTS

Preamble

An integral component of carbon financing is the issue of carbon rights and its connection to existing legal arrangements and institutions. Carbon rights are also a fundamental component of any method of providing or issuing performance-based incentive payments for REDD+ activities. This is because at the core of REDD+ activity is a quantitative change in the carbon balance and a reward for bringing about that change. It is important that the correct person is rewarded for this effort.

2. Scale of Carbon Rights

- 2.1 The owner of the land will own the forest carbon on that land.
- 2.2 For purposes of intergovernmental or other international carbon finance transactions that require a national level (i.e. Fiji Government) counter party the Government of Fiji will also be deemed an owner of the same carbon rights on behalf of the domestic owners. This is to provide a legal mechanism to enable the Government of Fiji to gain access to performance-based sources of carbon finance that are only available at a national (i.e. government) scale.
- 2.3 Any performance-based carbon finance received by the Government of Fiji for purposes of REDD+ activities will be distributed to the domestic owners of this carbon in a fair and equitable fashion that reflects and is linked to the contemporary international monetary value of that carbon.
- 2.4 The domestic disbursement of international carbon revenues by the Government of Fiji will be undertaken in an off-budget finance mechanism governed by a transparent, multistakeholder financial governance entity.
- 2.5 A legal instrument will be developed to protect carbon owners who participate in an approved carbon project (either run as a government programme or via the voluntary carbon market) where they require the protection of the forest for the duration of the project (e.g. Improved Forest Management – Logged to Protected



Forest). This legal instrument (regulation, decree, or amendment to existing legislation) will enable the carbon owner to change the legal status of their lands to 'legally protected forest' for the duration of their carbon project. This means that any activities undertaken by third parties without the permission of the carbon owners and that damage the carbon project in some way will become illegal activities.

3. Easily Understood

- 3.1 Forestry rights and responsibilities are already well understood by the resource owners and other key stakeholders in forest management sector.
- 3.2 The Fiji REDD+ programme will use the existing forestry system (i.e. timber as a commodity) as the basis for developing, defining, regulating and communicating a national carbon management system (where carbon is the commodity).
- 3.3 This system will need to be designed so that it accurately portrays the character of forest carbon management but in such a way that it does not require all relevant stakeholders to completely re-educate themselves.

4. Carbon Assets and Liabilities

- 4.1 When assigning carbon property rights in the Fiji regulatory and legal system such property rights entail the ownership of the performance of carbon flux in the ecosystem on the land owned.
- 4.2 The owner of the carbon owns any beneficial effects of carbon management (e.g. avoided or reduced emissions from sources and enhanced removals from sinks), and also owns any detrimental effects of carbon management (e.g. carbon emissions).
- 4.3 The beneficial effects of carbon management are called 'carbon assets' and the detrimental effects of carbon management are called 'carbon liabilities'. The owner of the carbon therefore owns both the carbon assets and the carbon liabilities.
- 4.4 As owner of carbon assets the carbon owner is eligible for performance-based incentive payments designed to cause an increase in beneficial effects of carbon management.
- 4.5 As owner of carbon liabilities the carbon owner is liable for any potential future penalties associated with carbon management that causes detrimental effects on the atmosphere.
- 4.6 A performance-based carbon market instrument, or a performance-based grant instrument may prescribe such penalties. It is noted that the voluntary carbon market currently imposes penalties on carbon owners in situations of non-permanence of carbon benefits associated with a carbon project.



- 4.7 A Fiji Government carbon financing programme will also include penalties for non-permanence, non-performance, or non-compliance with the conditions of that programme particularly where performance-based payments have been made to the carbon owner.
- 4.8 The assigning of carbon assets and carbon liabilities is subject to clarification on the definition of liabilities with particular regard to situations whereby the carbon owner has no agency/control over certain detrimental effects on their carbon balance (e.g. natural hazards such as fire, cyclones, flooding, or resource management undertaken by entities whose land-based activities are not able to be controlled by the landowner/carbon owner).
- 4.9 Carbon owners are responsible for anthropogenic influences on the carbon balance on their lands, and only those anthropogenic influences that they are able to control.
- 4.10 More detailed consideration is required for situations where a third party (not an owner of said lands) undertakes illegal activities on such lands (e.g. illegal timber harvesting or burning).

5. International Treaty Obligations

- 5.1 The Fiji REDD+ Programme will be consistent with and abide by all existing and future international treaty obligations undertaken by the Government of Fiji.
- 5.2 Clarification of Fiji REDD+ Programme adherence to Fiji's international treaty obligations will be linked to safeguards for REDD+ and specified in the Safeguards Guidelines component of the REDD+ Guidelines.

6. Constitutional Issues

- 6.1 The Fiji REDD+ Programme will adhere to principles in the past Constitution (e.g. section 40 of the 1997 Constitution that provides that a person may not be deprived of their property without due compensation).

7. Land Tenure

- 7.1 Carbon rights are to be held by the owner of the land.
- 7.2 State Land: If the Government is the owner of the land then the Government owns the carbon. Carbon rights need to be clarified for lease holders on State Lands.
- 7.3 Carbon rights of landowners over Native Lands Act [Cap 133]: Landowners to hold carbon rights and all leases to clarify status of carbon rights under existing and future leases by means of a clause on carbon rights.



- 7.4 Negotiations or holding carbon rights on behalf of landowners shall be undertaken by the following (with the permission of the landowner):
- a. For Native Land – Where necessary NLTB & Landowners, I Taukei Affairs Board,
 - b. For Crown land – Lands Department.
 - c. For Free Hold Land – Freehold landowners.
 - d. [The REDD+ Steering Committee needs to come to a decision on whether and to what extent the Department of Forestry should also have some involvement]
- 7.5 The Lands Department, in consultation with the Department of Forestry will consider the carbon rights implications of the recent Land Use Decree 2010.
- 7.6 The Lands Department and Qoliqoli owners, in consultation with the Department of Forestry will clarify carbon rights and carbon management issues associated with mangrove systems.
- 7.7 The legal status of the land (whether protected or unprotected by law) has no bearing on the ability to receive performance-based payments from undertaking a carbon project, or from being responsible for (potential) carbon liabilities.
- 7.8 Financial or other performance-based payments will be subject to fair, equitable and transparent distribution to all eligible parties.
- 7.9 Fees, levies and taxes imposed on carbon owners for participation in a carbon project or other REDD+ implementation activity will be assigned in adherence to the REDD+ Policy specifying the need to maximise benefits to landowners. Accordingly, any fees, levies and taxes in relation to REDD+ activities will be applied only where necessary and where other sources of administration finance have been sought but not been obtained, and where applied will be set at a rate necessary for actual cost recovery for REDD+ Programme administration, rather than treated as an opportunity to gather revenues.

Note that REDD+ activities commonly involve the private contribution to a national and global public good. As such, the fee structure and tax rate (if any) needs to adequately recognise this private contribution to public goods, and commonly the elimination of external costs to society (through water catchment protection, biodiversity protection, climate change mitigation, climate change adaptation).

8. Natural Resources and Carbon Pools

- 8.1 The REDD+ Programme will carry forward prior work of Forest Decree with regard to natural resource management provided that sufficient consultation is undertaken with NLTB, resource owners, Indigenous Affairs with respect to regulations supporting the powers of the Conservator of Forest under the Forest Decree.



- 8.2 The assigning of carbon rights (assets and liabilities) refers to all terrestrial carbon pools contained on the land owned by the landowner. These carbon pools include above ground live, deadwood, below ground live, litter and soil carbon.

9. Logging Concessions and Forestry Leases

- 9.1 All existing and future forestry concessions will be re-negotiated in consultation with landowners and the Department of Forestry to include a section on carbon rights.
- 9.2 All existing and future forestry and non-forestry leases will be re-negotiated in consultation with landowners and the Department of Forestry to include a section on carbon rights.

10. Creating, Registering, Holding, and Transferring Carbon Rights

- 10.1 Carbon rights will be created as a new property right.
- 10.2 The ownership of carbon rights is not the same as ownership of carbon credits. Carbon credits are a commodity produced from forest lands in a similar manner that timber is a commodity produced from forest lands. Timber and carbon credits are not commodities until the forest has been subject to a commodity production process (timber harvesting and processing; carbon project development and carbon management).
- 10.3 The owner of carbon rights to an area of forest may sell those carbon rights either in a wholesale form (e.g. selling the carbon rights prior to the production of any carbon credits but where there is a clear potential for carbon credits to be produced), or in a retail form (e.g. selling carbon credits after the carbon owner has created these credits themselves).
- 10.4 The sale of carbon rights or carbon credits is subject to a sale and purchase agreement that specifies the time period associated with the transaction. For example, a carbon project will always have a finite time period: often called the 'project period'.
- 10.5 The sale of any forest carbon rights or forest carbon credits will require the approval of the Conservator of Forests as specified in the Forest Decree. Any sale of carbon rights or carbon credits will need to be registered in some way. Fiji will therefore need to develop a registry of some form capable of keeping an accurate record of any transfers of carbon rights or carbon credits.
- 10.6 One possibility is that carbon rights are registered by default against the land title in the Land Titles Registry. Any transfer of forest carbon rights (with approval of the Conservator of Forests) would then need to be recorded in the Land Titles Registry (to prevent any double counting).



- 10.7 When carbon credits are produced (e.g. in the international voluntary carbon market, or in a domestic government-run carbon financing programme) they are produced for the purpose of sale and hence carbon rights transfer. Carbon credit sales will, therefore, also need to be recorded in the Land Titles Registry because they contain the underlying carbon rights but now in a specific commodity form.

One way to picture the relationship between carbon rights and carbon credits is to use the metaphor of a caterpillar and a butterfly. One (the caterpillar) is the prior condition of the other (the butterfly). Furthermore, the butterfly (carbon credits) contains the caterpillar (carbon rights) and is inseparable from it. The process of transforming the caterpillar into a butterfly (metamorphosis inside a chrysalis) is analogous to the process of transforming a carbon right into a carbon credit (carbon project development). Whoever buys the butterfly also buys the caterpillar.

- 10.8 The record of a carbon rights transfer in the Land Titles Registry will occur as a deletion or subtraction of a volume of carbon rights that matches the volume of carbon credits created and sold (i.e. recorded as a negative number). This negative number will have a timeframe attached to it whereby it is removed from the Land Title only for the project period. When the project period is over the ownership of the carbon rights sold in the form of carbon credits returns to the landowner.
- 10.9 In the mean time the carbon credits will also need to be registered somewhere (also to avoid double counting and to provide financial discipline). Fiji could either establish its own carbon credit registry (e.g. linked electronically to the Land Titles Registry), or it could potentially use an existing carbon registry (e.g. perhaps by an arrangement with a bilateral partner such as New Zealand that has a national registry for its Kyoto Protocol obligations, or with an independent registry such as the Market Environmental Registry).
- 10.10 The decision on what registry to use will best be subject to a cost – benefit analysis given that registry services (creating a new registry or using an existing one) comes at a cost.

11. Benefit Distribution Priorities

- 11.1 Performance-based payments will be made directly to the owners of the carbon that have generated the carbon benefits, unless such carbon owners have agreed to a variation on this default position.
- 11.2 The Fiji REDD+ Programme will strategically support activity types capable of generating the highest carbon benefits per unit investment, and will seek to redistribute some of the carbon revenues from such activities to support other high priority carbon management activity types that have a lower per hectare carbon return but are a high priority for other strategic reasons (e.g. important co-benefits such as biodiversity protection, certified timber production). Any such redistribution



of carbon benefits will be undertaken only with prior informed consent of all relevant stakeholders.

12. Pilot Projects

- 12.1 The design of pilot projects will be consistent with the broader strategic carbon financing arrangements at a national scale (under the hybrid approach to national carbon financing), which in turn are subject to international carbon financing instruments available to Fiji now and in the future (e.g. under a future UNFCCC instrument).
- 12.2 Pilot projects will model the intended functionality of a national performance-based incentive programme for REDD+ activities by encompassing a prototype of the process and institutional arrangements necessary for a national incentive programme.
- 12.3 Pilot projects will be used to refine the design of the national performance-based incentive programme in a learning-by-doing fashion.
- 12.4 The Fiji REDD+ Programme will undertake a pilot project for each of the activity types specified in 1.4 of these guidelines.
- 12.5 Each pilot project will encompass an 'inception project' for the potential roll-out of a national programme of activities for each activity type.
- 12.6 Pilot projects will adopt a best-practice approach to design and MRV, but will also take into consideration the need to deliver a high quality REDD+ financing instrument at least cost to landowners.
- 12.7 Pilot projects will be subject to international peer review either through the validation process in the voluntary carbon market or an equivalent if using a different financing instrument.
- 12.8 Pilot projects will be designed to generate the maximum possible financial returns for participating landowners.
- 12.9 Pilot projects will be designed and implemented in a way that does not penalise participating landowner for adopting early action.



APPENDIX 1 WORKSHOP PROGRAMME



Fiji REDD+ Guidelines Workshop
Wednesday 20 April 2011
Holiday Inn, Suva



PROGRAMME

Wednesday, 20 April 2011			
8.30	Registration		Secretariat
9:00	OPENING SESSION	Opening prayer	Fiji Forestry Department
		Welcoming address	
		Opening remarks	
9:15		Workshop objectives and overview of workshop programme	Sean Weaver
9:25	Morning Tea		
9:45	SESSION 1: OVERVIEW AND PROGRESS SO FAR	<u>Presentations and discussions</u>	Sean Weaver
		Purpose and scope of REDD+ Guidelines for Fiji <ul style="list-style-type: none"> • <i>recommendations from stakeholder consultations</i> 	
9:55		Elements of a REDD+ Carbon Trading Guidelines <ul style="list-style-type: none"> • <i>Good practice overview</i> • <i>Case studies</i> 	Sean Weaver
10:25		Progress in Fiji so far: <ul style="list-style-type: none"> • <i>Policy and legislation</i> • <i>Proposed approval process for forest carbon projects</i> • <i>Issues to be considered on carbon property rights-</i> 	Christine Fung / Forestry Department
10:40	SESSION 2: DEVELOPING THE FIJI REDD+ GUIDELINES	<u>Presentation and discussions</u> Framing the Fiji REDD+ Carbon Trading Guideline <ul style="list-style-type: none"> • <i>Elements to be considered</i> • <i>Linkages to other guidelines</i> • <i>Structure</i> 	Sean Weaver



11:00		<u>Group Work</u> Drafting Fiji's carbon trading guideline <ul style="list-style-type: none"> • Template provided 	Groups
1:00	Lunch		
2:00		Group presentations and discussions Reviewing of outcomes	Groups
3:00	SESSION 3: NEXT STEPS	Proposed next steps	Plenary
3:15		Draft roadmap for developing REDD+ guidelines (facilitated session)	Plenary
3:45	SESSION 4: CONCLUSIONS & CLOSING	Stakeholder recommendations	Plenary
		Concluding remarks	Forestry Department
		Closing remarks	
4:00	Afternoon Tea		



APPENDIX 2 WORKSHOP TEMPLATE



Fiji REDD+ Carbon Trading Guidelines Workshop Result

Wednesday 20 April 2011

Holiday Inn, Suva



Template and Options Prepared by Dr Sean Weaver, Carbon Partnership Ltd

Carbon Trading Guideline Workshop Template		
<p>Process: Break into groups. Assign topics to different groups. In each group discuss the issues associated with each subtopic (each line item). For each line item:</p> <ol style="list-style-type: none"> 1. Summarise the key issues 2. Record a draft guideline statement for components that can be resolved by this group in this workshop 3. Identify and list any guideline components that are either too complex to resolve in this workshop or where there were differences of opinion that could not be resolved, and make recommendations of the necessary course of action in order to complete this component of the guidelines <p>In the plenary session each group will go through each draft guideline statement and gain plenary approval.</p>		
1.	Part 1: Carbon Financing	
	<p>There are different possible scenarios for intergovernmental and international financing for REDD+ going forward. It may transpire that one of these options dominates REDD+ international financing, or that a number of options become available to developing countries depending on their preferences. As part of this workshop it is worth considering what of these broad approaches Fiji would prefer. It is also necessary to prepare for the different possibilities, so that Fiji does not get caught in a situation where it prepares for a rugby match, but is forced to engage in a swimming contest.</p>	
	Option	Guidelines
1.1	Scenario 1: National Level GRANT Financing Instrument	
	<p>Fiji can gain payments for forest carbon management as a nation under these instruments. Will Fiji declare carbon rights as solely in the hands of government or will it devolve carbon rights to landowners, and if the latter how will it manage international carbon finance transactions?</p>	
1.1.1	Option 1: Performance-based direct payments to carbon owners (or)	<p>Preference for Option 1</p> <p>Notes:</p> <ul style="list-style-type: none"> • Advance payment under performance-based requires monitoring of performance. • Fines/penalties will be imposed on non-performance. • Performance-based: consider capacity of landowners; refer to 1.1.3 & 1.1.4



		<ul style="list-style-type: none"> • Non-performed-based: secure land tenure – legal agreement • Pros: continuous commitment; reduced liability of govt.; incentive to landowners; ex ante transaction • Cons: difficult to implement by landowners (lack of capacity); longer wait for return
1.1.2	Option 2: Non-performance based direct payments to carbon owners	<p>No</p> <p>Notes:</p> <ul style="list-style-type: none"> • Pros: low transaction cost; incentive to start • Cons: more risk/liability
1.1.3	Option 3: Compulsory participation by carbon owners (or)	No
1.1.4	Option 4: Voluntary participation by carbon owners, with option to engage the voluntary carbon market	<p>Preference for Option 4</p> <p>Notes:</p> <ul style="list-style-type: none"> • Voluntary participation in a government programme (when it is ready to be delivered) is subject to the conditions of the programme. • Those opting for the voluntary market are still subject to the requirements under the Forest Decree (revised)
1.1.5	Other options include policies and measures (as opposed to direct payments) developed by the government to drive improvements in national carbon stocks (could include a carbon tax)	<p>Preference to keep open the options to use policies and measures in addition to economic instruments for REDD+ implementation</p> <p>Notes:</p> <ul style="list-style-type: none"> • Fines imposed on REDD+ projects that do not keep to agreement • Strong non-performance penalties (to be in regulation) • Tax break for ecosystem services provided through REDD+ projects • Tax incentive for implementation of REDD+ projects • Tax-free income generated from carbon credits – for landowners? To be discussed • Fines/ (taxes?) to be fed into a REDD+ revolving fund (managed by Forestry Department)
1.2	Scenario 2: National Level MARKET Financing Instrument	
	Fiji can trade carbon as a nation under these instruments. What domestic carbon financing system will Fiji develop under this scenario?	
1.2.1	Option 1: Performance-based direct payments to carbon owners? If so how to quality assure this? (or)	<p>Preference for Option 1</p> <p>See Scenario 1 for notes</p>
1.2.2	Option 2: Non-performance-based direct payments to carbon owners (or)	Same as Scenario 1
1.2.3	Option 3: Devolved carbon market option for carbon owners? (and/or)	Same as Scenario 1
1.2.4	Option 4: Option to carbon owners to elect direct payment or devolved carbon market option for	Leave option open to devolve carbon units to carbon owners



	carbon owners	
1.2.5	Option 5: Compulsory participation by carbon owners (or)	Same as Scenario 1
1.2.6	Option 6: Voluntary participation by carbon owners, with option to engage the voluntary carbon market	Same as Scenario 1
1.2.7	Other options include policies and measures (as opposed to direct payments) developed by the government to drive improvements in national carbon stocks (could include a carbon tax)	Same as Scenario 1
1.3	Scenario 3: Programmatic Level GRANT Financing Instrument	
	Programmatic financing instruments operate at a sectoral level through budgetary support (on-budget) or funds managed independently of government budgetary process (off-budget). Under programmatic grant financing carbon owners can gain direct payments for forest carbon management.	
1.3.1	Option 1: Funding is channelled through budgetary support	Cons: Money through budget support can take time to be released
1.3.2	Option 2: Funding is channelled through financial mechanism outside government budget system (e.g. directly via REDD+ Steering Committee or Fiji Forest Carbon Facility)	<p>Preference for Option 2.</p> <p>Notes:</p> <ul style="list-style-type: none"> • Pros: Greater certainty over funds and faster timing • Would there be a greater availability of funds via a separate fund? • Is this just receiving funds from international sources or also managing fines/penalties? • In order to ensure accountability, transparency, certainty and timeliness of availability of funds, a separate financial unit should be established to receive REDD+ funds
1.3.3	Option 3: Performance-based direct payments to carbon owners	Same as Scenario 1
1.3.4	Option 4: Non-performance-based direct payments to carbon owners	Same as Scenario 1
1.3.5	Option 5: Compulsory participation by carbon owners	Same as Scenario 1
1.3.6	Option 6: Voluntary participation by carbon owners, with option to engage the voluntary carbon market	Same as Scenario 1
1.3.7	Other options include policies and measures (as opposed to direct payments) developed by the government to drive improvements in national carbon stocks (could include a carbon tax)	Same as Scenario 1
1.4	Scenario 4: Programmatic Level MARKET Financing Instrument	
	Sub-national entities (including landowners) can trade carbon via a government run programme under these instruments	
1.4.1	Option 1: Devolve carbon accounting to carbon owners	<p>Preference for a combination of Option 1 & 2 to suit situation.</p> <p>Notes:</p> <ul style="list-style-type: none"> • Pros: less risk to government; more detailed data derived (towards tier 3 reporting) • Cons: higher cost; less profit due to high costs for producing carbon credits



		<ul style="list-style-type: none"> • Can source financing from other initiatives (PES?) • Recommend to identify and source financing instruments and technical expertise to support landowners carry out carbon accounting (suggest programme run by the Fiji Forest Carbon Facility)
1.4.2	Option 2: Programmatic carbon accounting with simplified methodology required of carbon owner participants	<p>Preference for a combination of Option 1 & 2 to suit situation.</p> <p>Notes:</p> <ul style="list-style-type: none"> • Pros: lower cost and simpler for participants • Cons: government has to manage risk • Government to set up a buffer / reserve to manage the risk – a fee set up for this
1.4.3	Compulsory participation by carbon owners	Same as Scenario 1
1.4.4	Voluntary participation by carbon owners with option to engage the voluntary carbon market	Same as Scenario 1
1.4.5	Other options include policies and measures developed by the government to drive improvements in national carbon stocks (could include a carbon tax)	Same as Scenario 1
1.5	Scenario 5: Project Level GRANT Financing Instrument	
	Sub-national entities (including landowners) can gain project-based payments for forest carbon management	
1.5.1	Option 1: Performance-based direct payments to carbon owners	
1.5.2	Option 2: non-performance-based direct payments to carbon owners	
1.5.3	Compulsory participation by carbon owners	Not relevant for Fiji
1.5.4	Voluntary participation by carbon owners with option to engage the voluntary carbon market	Preference for voluntary participation in a national programme and decision to be made by transparent landowner decision process (e.g. consensus)
1.5.5	Other options	<ul style="list-style-type: none"> • Finance management at project-level but will follow national approval process • VLRA recommended to be management unit for its members • Co-benefits; value adding for forest products from REDD+ sites
1.6	Scenario 6: Project Level MARKET Financing Instrument	
	Sub-national entities (including landowners) can trade carbon via a project-based market instrument	
1.6.1	Compulsory participation by carbon owners	
1.6.2	Voluntary participation by carbon owners with option to engage the voluntary carbon market	
1.6.3	Other options	<u>Recommend:</u> regularly informed of carbon market value. REDD+ Steering Committee – to guide and advise landowners
1.7	Ex Post vs Ex Ante Payments	
	<p><i>Ex post</i> = where carbon benefits have been demonstrated. <i>Ex Ante</i> = where carbon benefits are promised for delivery at some time in the future. Financial incentives for REDD+ behaviour change needs to compete with business-as-usual commercial realities (e.g. logging activities and associated benefit generation). To</p>	



	achieve this the flow of REDD+ finance needs to satisfy carbon owner aspirations for economic development that is capable of matching what is offered by business as usual. The issuing of payments or credits needs to consider options for rewarding either demonstrated (past) or promised (future) delivery of desired carbon benefits. Future delivery of carbon benefits is a common practice in carbon markets (especially where near term cash flows are necessary to compete with business as usual activities), and is linked to monitoring and non-delivery insurance-type and penalty conditions.	
1.7.1	Option 1: Only <i>ex post</i> issuance of payments/credits (or)	No
1.7.2	Option 2: Only <i>ex ante</i> issuance of payments/credits (or)	No
1.7.3	Option 3: Options for <i>ex post</i> or <i>ex ante</i> issuance of payments/credits	Preference for offering carbon owners option of either <i>ex post</i> or <i>ex ante</i> with different conditions applied to each (see 1.8 below for initial preferences on conditions)
1.7.4	If <i>ex post</i> only (Option 1), how will the instrument address near term cash flows for carbon owners?	n/a
1.8	Conditions Imposed On Recipients of Payments/Credits	
	Performance-based issuance of payments/credits for REDD+ behaviour change needs to be linked to a system of quality assurance to verify performance. This is particularly relevant where international funds are gained by Fiji on the basis of international performance-based financing instruments. Similarly, the efficient allocation of performance-based payments/credits necessitates a direct link between evidence that demonstrates performance and the payments themselves. This requires a series of conditions, including monitoring, reporting and verification procedures, as well as non-performance penalties to be built into carbon financing instruments.	
1.7.5	What conditions should apply (e.g. MRV requirements, time frame restrictions, non-performance penalties, insurance requirements, buffer determination)?	<p>Potential to impose a 10-year crediting period for <i>ex ante</i> issuance of credits or direct payments. This condition designed as a safeguard to intergenerational equity. This provides an opportunity to review carbon price, and adjust carbon financing instruments and arrangements if need be.</p> <p>Need substantial non-performance/non-delivery penalties: put into REDD+ regulation. Such penalties need to adequately cover risk associated with each option for financing (e.g. higher insurance / buffer requirement for <i>ex ante</i> issuance of credits or payments compared with <i>ex post</i> option.</p> <p>Set up buffer at national level to manage risks (with higher per hectare contribution from <i>ex ante</i> projects)</p> <p>Need to address drivers of deforestation – especially agriculture clearance. Factor in REDD+ sites in national land use planning; REDD+ projects and economic contributions to be in SEEDS .</p>



2.	Part 2: Carbon Rights	
	Options	Guidelines
2.1	Scale Of Carbon Rights	
2.1.1	Will carbon rights be held in national ownership by the government? (or)	Yes – to enable intergovernmental trading at a national scale if such an instrument is available to Fiji, but subject to Fiji land ownership system and the need to maximise carbon financing benefits to landowners.
2.1.2	Will carbon rights be devolved to sub-national entities (e.g. landowners, government agencies, a separate entity established for this purpose)? (or)	Preference is for carbon rights to be owned by the owner of the land. Emphasis on the need to ensure maximum benefits to landowners as specified in the REDD+ Policy.
2.1.3	Given the possibility of a national level carbon financing instrument imposed by the international financing community is there an option to combine national and devolved ownership? If so how will this be structured? If not how will Fiji access international carbon finance offered only as a national level instrument?	Preference to design carbon rights to enable a combination of devolved ownership of rights to those who own the land, and at the same time enable the government to be able to engage in intergovernmental carbon trading or other performance-based carbon finance transactions at a national scale.
2.1.4	Other issues	
2.2	Easily Understood	
2.2.1	Option 1: Use existing forestry framework as a starting point. How will carbon rights be managed compared with timber rights? (or)	Yes, forestry rights and responsibilities are already well understood by the resource owners and other key stakeholders in forest management sector. The preference is to use existing forestry system (i.e. timber as a commodity) as the basis for developing a national carbon management system (carbon benefits as a commodity). This system will need to be designed so that it accurately portrays the character of forest carbon management.
2.2.2	Option 2: Develop a new system based uniquely on carbon. How will carbon rights and financing arrangements be structured?	If there is a better system in place, worth consideration, but the clear preference is to go with a structure that is already understood by all relevant stakeholders (i.e. preference for option 2.2.1)
2.2.3	Other issues	
2.3	Carbon Assets and Liabilities	
2.3.1	Option 1: Assign <u>carbon assets</u> only to carbon owners (or)	Preference for Option 2 (2.3.2)
2.3.2	Option 2: Assign <u>carbon assets and carbon liabilities</u> to carbon owners.	Yes, subject to clarification on liabilities, need more clarification in cases of natural disasters, political interference (mining), fires. The liability component needs to be clearly explained to the landowners, carbon owners.



2.3.3	Other issues	
2.4	International Treaty Obligations	
2.4.1	How will carbon rights be linked to the Fiji position on the UN Declaration on Rights of Indigenous Peoples)?	This group did not feel that it had sufficient knowledge of the international treaties in this section to make an informed opinion. However, it was agreed that carbon rights in Fiji should be consistent with existing international treaty obligations. This to be clarified in a set of guidelines on safeguards, and is already supported in the REDD+ Policy
2.4.2	How will carbon rights be linked to the Fiji position on the <i>Convention Concerning Indigenous and Tribal Peoples in Independent Countries</i> 1989 (ILO 169)?	Link carbon rights to the land ownership.
2.4.3	How will carbon rights be linked to the Fiji position on the <i>Convention on the Elimination of All Forms of Racial Discrimination</i> ?	As above (2.4.1)
2.4.4	How will carbon rights be linked to the Fiji position on the <i>1992 Biodiversity Convention</i> ?	As above (2.4.1)
2.4.5	How will carbon rights be linked to the Fiji position on the <i>United Nations Convention against Corruption</i> ?	Covered in the REDD Policy
2.4.6	Other issues	
2.5	Constitutional Issues	
2.5.1	Option1: Adhere to principles in past constitution (e.g. section 40 of the 1997 Constitution that provides that a person may not be deprived of their property without due compensation) (or)	Yes
2.5.2	Option 2: Develop new principle in anticipation of new constitution	Yes, but follow the principle of fair compensation as contained in the 1997 Constitution.
2.5.3	Other issues	
2.6	Different Forms Of Land Tenure	
2.6.1	Carbon rights on State Lands (Cap 132)	Carbon rights are to be held by the owner of the land. If the Government is the owner of the land then the Government owns the carbon. Carbon rights need to be clarified for lease holders on State Lands (see 2.8.4)
2.6.2	Carbon rights of landowners over Native Lands Act [Cap 133]	Landowners to hold carbon rights and all leases to clarify status of carbon rights under existing and future leases by means of a clause on carbon rights.
2.6.3	Who (if any) will negotiate or hold carbon rights on behalf of landowners?	Native lands – Where necessary NLTB & Landowners, I Taukei Affairs Board, Crown land – Lands Dept, Free Hold – Freehold landowners It was unresolved whether the Department of Forestry should also have some involvement.



2.6.4	Consider recent Land Use Decree 2010	Lands Dept
2.6.5	Identify ownership of coastal zone and implications for carbon rights in mangroves.	Lands Dept, Qoliqoli owners. This needs further clarification given the potential for mangrove carbon to be a significant component of the national forest carbon stock and national forest carbon management system
2.6.6	Carbon rights on land where forests are legally protected.	Legal status of the land has no bearing on the ability to earn carbon incentive payments or be responsible for any (potential) carbon liabilities.
2.6.7	What financial distribution issues need to be clarified for forest carbon? (e.g. fees imposed by intermediary agencies such as the Department of Forestry, NLTB, the Land Use Unit, Inland Revenue)	Fair, equitable and transparent distribution to all parties, landowners to be well informed. Unresolved complexities concerning fees and taxes arising from the carbon forest sector. Note that REDD+ activities commonly involve the private contribution to a national and global public good and the fee structure and tax environment needs to adequately recognise this private contribution to public goods.
2.6.8	Other issues	
2.7	Natural Resources Including Different Carbon Pools	
2.7.1	Consider carbon rights implications of the Forest Decree	Carry forward of prior work of forest decree and carbon rights with provisions that sufficient consultation is undertaken with NLTB, resource owners, Indigenous Affairs with respect to regulations supporting the powers of the Conservator of Forest under the Forest Decree.
2.7.2	Carbon rights to be assigned by default to all five forest carbon pools (above ground live; below ground live, deadwood, litter, and soil carbon pools) (or)	Yes
2.7.3	Carbon rights to be assigned to some but not all carbon pools, if so what ones?	No
2.7.4	Other issues	
2.8	Implications For Logging Concessions And Non-Forestry Leases	
2.8.1	Carbon rights transferred in full in existing and future forestry concessions by default to concession owner (or)	No. Existing concessions do not cover carbon issues and there is no automatic transfer of carbon rights under existing or future concessions.
2.8.2	Partial carbon rights transferred in existing and future forestry concessions by default (or)	No.
2.8.3	Carbon rights to be renegotiated with landowners for all existing and future forestry concessions under guidelines provided by DoF	Yes. Re-negotiation of carbon rights into existing and future forestry concessions needs to be undertaken in order to clarify carbon rights issues. Carbon clause to be written into all current and future concession in consultation with all relevant stakeholders
2.8.4	How will carbon rights be assigned in non-forestry leases (e.g. mining, resorts, public infrastructures)?	Carbon clause to be written into all current and future leases in consultation with all relevant stakeholders



2.8.5	Other issues	
2.9	Options For Creating, Registering, Holding And Transferring Carbon Rights	
2.9.1	Will carbon rights be created as a new property right?	Yes
2.9.2	Will carbon ownership be registered in any way and if so how and through what mechanism?	Yes Options include: <ul style="list-style-type: none"> - National registry for carbon credits through the voluntary markets, or government system - Through the relevant land titles registry - Use existing international carbon registry (e.g. registry of a partner government, or an independent registry such as Markit Environmental Registry) - Choice of registry to be determined by a cost-benefit type analysis and suitability for Fiji forest carbon management conditions (e.g. may be partly driven by international donor or carbon market requirements)
2.9.3	What will be the rules for the transfer of carbon ownership rights?	Develop a system similar to the rules of transfer of timber property rights.
2.9.4	Will carbon ownership rights change in any way with the creation of carbon credits?	The owner of the land owns the carbon. If carbon credits are created on such land, this will be subject to lease conditions and contract arrangements between landowner and any third party.
2.9.5	Will carbon credit creation be regulated in any way by the government?	Forest Decree already specifies requirement for approval of Conservator of Forests for carbon property transfers. Will be subject to rules and conditions associated with the Fiji REDD+ Programme yet to be determined – linked with existing developments in Forestry Law Enforcement, Governance, and Trade (FLEGT)
2.9.6	Will the transfer of carbon credit property rights be regulated in any way by the government?	Yes – already covered by the Forestry Decree. Note that there is a need for non-compliance penalties to be linked to requirements in the Forestry Decree – linked with existing developments in Forestry Law Enforcement, Governance, and Trade (FLEGT)
2.9.7	Can an owner of carbon rights transfer this ownership to another entity prior to the creation of carbon credits? If so what is the status of ownership of any carbon credits created by the new owner of carbon rights?	Yes, carbon owners working in partnership with a carbon entity, payment via lump sum or royalty over time subject to conditions that will protect the rights of existing and future landowners, and also subject to conditions of national forest carbon financing rules and conditions. This may include time restrictions (e.g. 10 year maximum for ex ante payments to resource owners) and/or linking payments to landowners to contemporary carbon price as these prices change (i.e. where payment contracts are based on a proportion of global average carbon price at that particular time).
2.9.8	Will the owner of carbon credits need to be a single legal entity or can credits be held in communal ownership?	Yes, as long as it's within the legal framework specified in rules and conditions provided in the forthcoming national forest carbon management system under the Fiji REDD+ Programme.



2.9.9	If an owner of carbon credits needs to be a single entity for purposes of transactions with carbon buyers, what will the single entity be? (e.g. a trust?)	Yes - a mataqali trust
2.9.10	Other Issues	Will carbon rights be created on existing property rights? (need to clarify 2.9.1 with more detail)
2.10	Benefit Distribution Priorities –	
2.10.1	Will benefit distribution be linked to carbon rights? If so how?	Yes, to be further discussed with all parties
2.10.2	How will a strategic approach to REDD+ benefit distribution under the hybrid approach be designed, and how does this relate to carbon rights and carbon financing?	Option for strategically linking different activity types (e.g. Afforestation/Reforestation (A/R) and Improved Forest Management (IFM)) where government support for one (A/R) is balanced with support for another (IFM) in a way that maximises the generation of carbon finance flows into Fiji and maximises the realisation of strategic priorities. Any redistributive management of carbon revenues will be subject to transparent mutual agreement among all parties and be guided by the rules and conditions associated with the national REDD+ Programme.
2.10.3	How will carbon rights be treated in situations where the REDD+ Programme wishes to implement strategic benefit sharing by linking benefits from one activity with another?	Carbon rights will be subject to the rules and conditions of the national REDD+ Programme as well as mutual agreement between benefiting landowners.
2.10.4	Other issues	Need to clarify frequency of payment to landowners in any carbon incentive payment regime. This will be clarified in carbon incentive payment rules under a government programme, and for those electing to use the international voluntary carbon market will determine regularity and scale of payment in the course of project development.
2.11	Pilot Projects	
2.11.1	How will carbon rights be assigned under pilot projects to be undertaken at an early stage in the development of the REDD+ Programme?	Design of pilot projects needs to be consistent with the broader strategic carbon financing arrangements at a national scale, which in turn are subject to international carbon financing instruments available to Fiji now and in the future (e.g. under a future UNFCCC instrument).
2.11.2	What financing model will be used for pilot projects (national, programmatic, project scale)?	Consistent with a hybrid model for national carbon financing.
2.11.3	If pilot projects will adopt a project-scale financing model, how will such projects link to and demonstrate the functioning of the hybrid model for national REDD+ carbon financing?	To be determined by the rules and conditions of the national REDD+ carbon financing arrangements under the hybrid model.
2.11.4	Other issues	



APPENDIX 3 WORKING GROUP CONSULTATION MARCH 2011

Group 1: Carbon Property Rights	
The working group discussed the current property rights of a number of assets relevant to the issue of carbon property rights.	
Land	<ul style="list-style-type: none"> • Land ownership is fairly well defined and enshrined in legislation in Fiji. • Most land is natively owned as set out in the Native Land Act. • Crown (government) Land and Freehold land are also catered for in other legislation. [which ones?]
Trees	<p>Native forests on native lands are owned by the indigenous landowner (mataqali) – fairly clear that in this case the trees are owned by the landowner.</p> <p>Plantations (pine, mahogany) are usually under lease to Fiji Pine and Fiji Hardwood Ltd – the owner of the trees in this case is the leaseholder for the duration of the lease.</p> <p>More complicated is the ownership of the trees under concession. A concession holder of trees on mataqali land owns the right to extract timber according to the details of the concession. In this case it seems as though the concession only confers the rights to harvest the quantity of trees stated. The ownership of the remaining trees remains with the landowner – but unclear who owns the standing trees until they are harvested – the concession holder or the landowner?</p> <p>This is an important issue to clarify (and maybe look to other countries for examples of how it has been treated elsewhere) as this could be an important area where REDD financing could apply. For example, if REDD is integrated into international (or domestic) carbon trading it is likely to be a requirement to prove additionality (as is the case with CDM) then areas under concession are areas where proving additionality is simplest. If there is a concession over an area then establishing a baseline of what happened in the absence of the REDD project can be done with reference to the concession. But if a REDD project were to be initiated in an area under concession to avoid the logging that would otherwise occur who gets access to the finance? The concession holder or the landowner?</p> <p>The conferring of a concession is a right to harvest and therefore is unlikely to extend to a 'right not to harvest and attract carbon finance'. In the case of the Sovi Basin the concession had not been used for a number of years and this was actually a breach of the concession agreement as it included details of how much should be harvested each year. So it is likely that in the event of an interested project developer that could provide finance the concession would need to be renegotiated or cancelled.</p> <p>However, if the concession holder did not receive any finance as a result they are unlikely to give up their concession – it would make more financial sense to go ahead with the logging. So in this scenario it would be likely that the landowner (and NLTB), concession holder, forestry department and project developer would have to negotiate a contract that would be attractive both to the concession holder such that they relinquish their concession and the landowner – the benefits of the project would therefore likely to be shared between the concession holder and the landowner.</p> <p>There is only one concession of any significance remaining – a large area of Vanua Levu that is under concession to FFI.</p>



	<p>One possibility for the future is that all concessions have a clause that indicates that in the event of REDD finance being available and interest from a project developer all concessions would have to be renegotiated. FFI's concession on Vanua Levu has just been renegotiated though.</p> <p>Most other logging takes places under annual licences so in this case it would relatively straightforward not to renew them should a REDD project become a viable alternative. The ownership of the trees remains with the owner/leaseholder of the land.</p> <p><i>Permanent forest estates</i></p> <p>REDD+ could provide the finance necessary for realising one of the objectives of the forest policy – the creation of a permanent forest estate.</p>
Carbon	<p>This was not discussed in much detail but it seemed likely that the owner of the trees would own the carbon associated with those trees. Issues of below and above ground carbon were not discussed but acknowledged as an area that will need clarification.</p>
Carbon credits	<p><i>Options include</i></p> <p><u>Private ownership</u> (i.e. the project developer – which could be the landowner or the leaseholder themselves or a partnership between them and a third party)</p> <p><u>State ownership</u> Given discussions to date which indicate that the Fiji government's intentions are to maximise returns to landowners it would appear that state ownership has already (implicitly) been ruled out. This should be clarified and stated if this is the case.</p> <p>Private ownership means that the owner of the carbon credits is the project developer (which could be the landowner or the leaseholder themselves). Project credits arise when project activities are verified (usually by a third party auditor) and credits are issued in a registry – this process remains uncertain as the international arrangements are yet to be agreed.</p> <p>In this scenario the original contractual documents establishing the project would need to make it clear who owns the rights to the carbon credits (and their sale) when they are generated. This would also specify how the financial benefits of the carbon credits would be distributed among the various parties involved. The owner of the trees (and associated carbon) could decide to divorce the issue of sales of carbon credits from the actual financial contractual details of the contract. For example the project developer could agree a fixed lump sum with the resource owner that will be paid annually regardless of the level of benefits generated.</p> <p>The liability associated with non-delivery of carbon credits would also need to be defined. For example in the case of an extreme weather event (e.g. a cyclone) that results in the project not delivering the volume of anticipated carbon credits who would be liable for obtaining compensatory credits? The project developer or the resource owner? All these issues would need to be stated clearly in the agreement.</p> <p>It will also be necessarily for the government and the accounting industry to define how carbon credits will be treated for tax and accounting purposes – this has been done in developed countries with emissions trading legislation.</p>
Usufruct rights	<p>Need to ensure that the rights of resource owners to use their land (for example to harvest non-timber forest products) is protected and that the transfer of rights to carbon/carbon credits does not confer any benefits to other resources e.g. the intellectual property rights of the resource owners to genetic material must remain with the landowner (assume this is the case with forest concessions?)</p>



Group 2: Approval Process

Forest Carbon Initiatives

Approval Process	<p>Role of Government (Forestry Department) is to ensure proper procedures are followed for all REDD-plus initiatives and activities. The Forestry Department will:</p> <ul style="list-style-type: none"> i) Facilitate implementation ii) Stimulate the trading environment iii) Ensure fairness/equitable distribution of benefits iv) Carry out monitoring and management of forests (establish baselines) – national level
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Process For Approving REDD+ Projects

NOTE: The usual approval process followed by investors coming into the country can (should) be followed (i.e. through FTIB) but the Forestry Department will need to be consulted (or given the authority) to give the provisional and final approvals.

Option A	<p><i>Checklist:</i></p> <ol style="list-style-type: none"> 1. Complete application form: NLTB to provide initial approval in regards to land owner boundaries 2. Initial approval subject to conditions (Provisional) 3. Submission of detailed project design document (PDD) to Forestry Department 4. Conservator of Forests will consult REDD-plus committee <i>Note: Conservator of Forests will establish a REDD-plus consultative committee (Forest Certification?)</i> 5. Final approval 6. Monitoring of Project
Option B	<ol style="list-style-type: none"> 1. Forestry Department to design a Certification Process 2. Certify Forest Carbon Brokers to do the entire process ⇒ Report to Forestry Department 3. Monitoring of Project

Either Option can be used depending on the complexity of the PDD and the current availability of resources of the Forestry Department.



APPENDIX 4 ACTIVITY TYPE DESCRIPTION EXAMPLE: IFM-LTPF

The activity type ‘Improved Forest Management – Logged to Protected Forest’ (IFM-LtPF) applies to project activities that protect natural forest that would be logged in the absence of carbon finance. Generally speaking, converting logged forests to protected forests reduces emissions caused by harvesting (i.e., protects carbon stocks) and increases carbon stocks as the forest re-grows and/or continues to grow. The reference activity of timber harvesting occurs in forests that are both unlogged, and forests that have been previously logged.

Eligible forests will include forests that had been logged up until 31 December 2009. The 2009 base year relates to the fact that the Fiji REDD+ Programme was initiated in 2009 and the details of this programme did not become apparent to the wider public until 2010 and 2011. Accordingly, prior to 2010 it was not possible for forest managers to foresee a future REDD+ Programme as a perverse incentive to escalate activities that would increase their baseline emissions and as such increase their potential carbon revenues as a result of undertaking a carbon project.

2.5.1 Reference Activity

Reference activities under this activity type are those implemented on forest lands⁸ managed for wood products such as sawn timber, pulpwood, and fuelwood and are included in the IPCC category “forests remaining as forests”.

Only areas that have been designated, sanctioned or approved for such activities (e.g. where there is legal sanction to harvest timber) by the national and/or local regulatory bodies are eligible for crediting under this activity type, and at a rate of harvest deemed permitted by forestry law and regulation (i.e. in compliance with the Forest Decree and code of logging practice). In other words, illegal reference activities will not be eligible under this activity type.

This Activity Type applies only to reference activities that involve timber and fuelwood harvesting, that result in a reduction in mean carbon stocks and associated emissions. Reference activities can also include activities that measurably reduce carbon stocks from activities other than timber harvesting.

2.5.2 Project Activity

Conversion of logged forests to protected forests (LtPF) includes: (1) protecting currently logged or degraded forests and plantations from further logging and degradation; and, (2) protecting unlogged forests that would be logged in the absence of carbon finance. Forest

⁸ Must meet the Fiji Definition of ‘forest land’. If no such definition exists the Fiji Department of Forestry will need to set a definition for ‘forest land’ and make this definition publicly available.



protection here refers to a change in the legal status of the forest land to protected forest for the duration of the carbon project⁹.

2.5.3 Applicability

This Activity Type is only applicable to forest that:

- Is classified by the DoF as 'harvestable' forest
- Contains commercially viable timber volumes
- Is unlogged forest, or
- Has been previously logged up until 31 December 2009, or
- Is currently being logged, or
- Where there is an intention to log.

2.5.4 Logged and Unlogged

This Activity Type is only applicable to activities that protect either (1) currently logged or degraded natural forest from further logging or (2) unlogged natural forest that would be logged in the absence of carbon finance.

There are two main variants to this project type depending on the original condition of the forest in question:

Variant 1: Avoided timber harvesting in an old growth ("climax") forest (Fig 1).

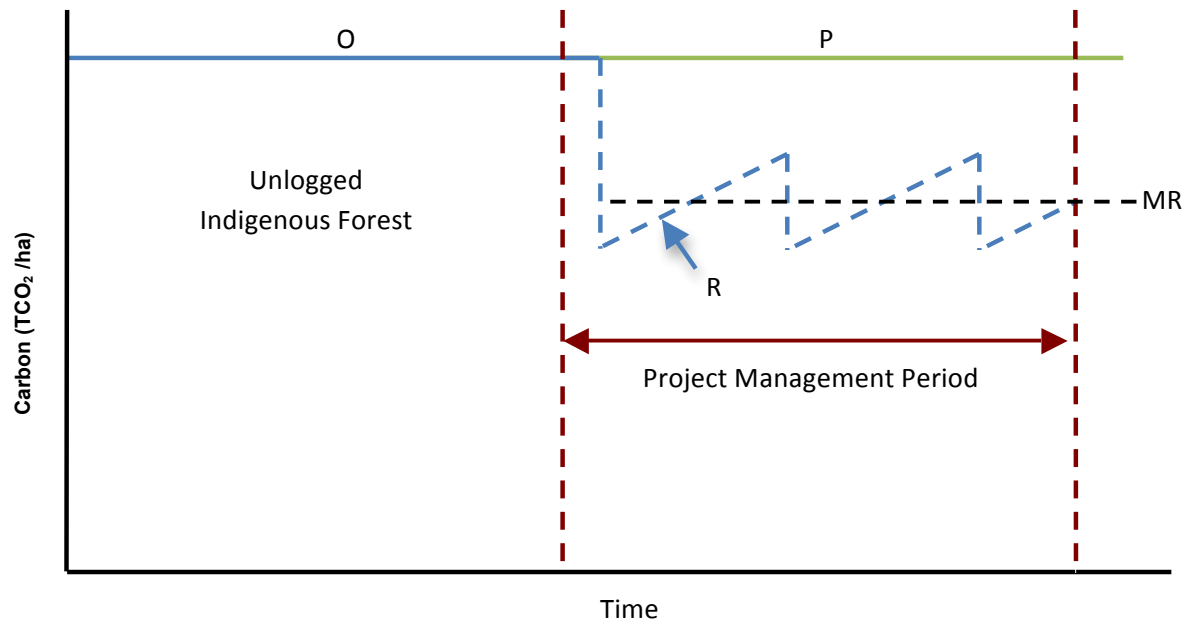
Variant 2: Avoided timber harvesting in a regenerating forest (Fig 2).

Under Variant 1 (Figure 1) the project scenario involves avoiding timber harvesting emissions arising from an unlogged old-growth, "climax" forest deemed under this Activity Type to exist as carbon reservoir only. The reference emissions would occur as a result of timber harvesting and associated activities.

⁹ It may be necessary to establish a regulation or amend an existing law to enable a change in the legal status of forest land that is subject to a carbon project whereby the forest land becomes legally protected from logging during the course of the carbon project. This is to protect landowners participating in carbon project from timber harvesting or related activities by persons who do not have landowner permission to do so and that contravenes the conditions of the carbon project. Such activities would thereby become illegal and the landowner protected by the law.



Figure 1. Concept diagram of avoided timber harvesting project type starting with an old growth (“climax”) forest.

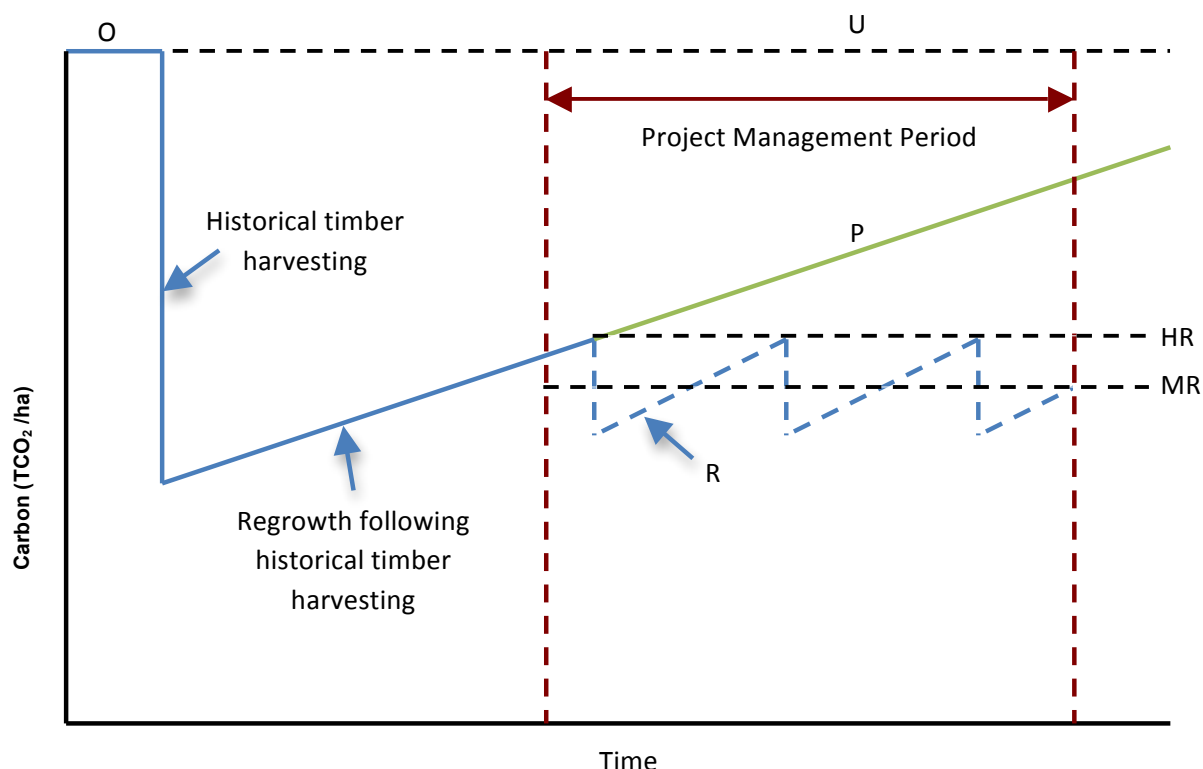


Key: O = Original mean carbon stocks in old growth undisturbed forest
R = Reference Scenario carbon stocks under sustainable forest management regime
P = Project Scenario carbon stocks under forest protection regime
MR = Mean Reference (harvest) carbon stocks

Variant 2 (Figure 2) is slightly more complicated by the fact that the forest in question is accumulating carbon biomass annually because it is a regenerating forest system and is therefore a carbon reservoir as well as a carbon sink.



Figure 2. Concept diagram of avoided timber harvesting project type starting with a regenerating forest.



Key: O = Original mean carbon stocks in old growth undisturbed forest
R = Reference Scenario carbon stocks under timber harvesting regime (harvest/regrowth)
P = Project Scenario carbon stocks under forest protection regime (approaches asymptote U)
HR = Harvest Reference carbon stocks at start of Reference Scenario
MR = Mean Reference carbon stocks under harvest regime
U = Upper limit of future mean carbon stocks

If a regenerating indigenous forest were subject to timber harvesting, the timber harvesting activity would:

- Generate emissions, and
- Cause compensatory regrowth in harvest patches at a higher sequestration rate than outside the harvest patches, and
- Interrupt the process of natural regeneration by harvesting timber on a sustainable basis starting from a harvesting reference (HR), removing annual permitted timber volumes and allowing regrowth in a harvest cycle that maintains mean carbon stocks at a lower level than if the forest were not subject to a timber harvesting cycle.

The interruption of natural forest succession towards an old-growth condition as a result of timber harvesting is subject to Fiji forestry regulations that allow for a harvest rate that is calculated on the basis of the Code of Logging Practice, and the conditions of the Forest Decree.



For this reason an activity that protected Logged Forest land parcels and prevented timber harvesting would avoid emissions, and enhance sequestration for those land parcels. The enhanced sequestration is caused by a change in management (forest protection) that allows the forest to continue to function as a net sink until it reaches an old growth (“climax”) condition. The eligible carbon credits generated from the enhanced sequestration component of Variant 2 land parcels are limited to the sequestration occurring above the Harvest Baseline. This is because any sequestration occurring below the Harvest Reference in the harvest/regrowth cycle in the Reference Scenario is deemed carbon neutral under this Activity Type.

In each case, the eligible crediting volume of CO₂ is restricted to the difference between the net mean projected Reference Scenario carbon stocks and the net mean Project Scenario carbon stocks, where the reference activity assumes a relatively constant (sustainable) mean carbon stock (and emissions) through time.

2.5.5 Specific Conditions

Specific conditions under which this Activity Type is applicable are:

- Forest management in the Reference Scenario must be planned timber harvest. The Reference Scenario can include wood harvested for commercial fuelwood production.
- Under the Project Scenario forest use is limited to activities that do not result in commercial timber harvest or forest degradation. To clarify, the Project Scenario can include traditional use of forests and forest products that do not result in commercial timber harvest or forest degradation (within a 5% *de minimis* range¹⁰).
- Planned timber harvest must be estimated using forest inventory methods that determine allowable annual timber harvest volumes (m³ ha⁻¹).
- The boundaries of the forest land must be clearly defined and documented.
- There may be no leakage through activity shifting to other lands owned or managed by project participants outside the bounds of the carbon project.
- Current and planned land use: land must comprise privately (including communally) owned lands legally eligible to be harvested for commercial timber or fuelwood production.
- The Project Scenario can include non-commercial timber harvests for customary use and non-commercial fuelwood gathering.
- Forest lands eligible for incentive payments under this programme will only include lands that have not received financing for the same project activities from another source.
- Reference activities can include legally sanctioned timber harvesting that degrades forest carbon stocks.

¹⁰ I.e. lower than 5% of the total allowable annual commercial timber harvest volume.

