

COMPENSATED REDUCTION:  
REWARDING THE ROLE OF FORESTS  
IN CLIMATE PROTECTION



*Annie Petsonk*



CISDL Legal Working Paper Series on  
Climate Change Law and Policy





# COMPENSATED REDUCTION: REWARDING THE ROLE OF FORESTS IN CLIMATE PROTECTION

## A CISDL WORKING PAPER

*Annie Petsonk\**

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*\* International Counsel, Environmental Defense. The views expressed are the author's own. This paper expands on A. Petsonk, "Rewarding Reductions, Realizing Results: Legal Options for Making Compensated Reduction A Reality," in P. Moutinho and S. Schwartzman, eds., Tropical Deforestation and Climate Change (IPAM December 2005).*

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# **COMPENSATED REDUCTION: REWARDING THE ROLE OF FORESTS IN CLIMATE PROTECTION**

## **A CISDL WORKING PAPER**

- 1. Introduction**
- 2. The Genesis of an Idea: Why Didn't Kyoto Address Developing Countries' Deforestation Emissions?**
- 3. The Montreal Meeting - 2005**
- 4. Legal Options for Integrating Into the Carbon Market Incentives for Large-Scale Forest Protection In Developing Nations: Making Compensated Reduction A Reality**
  - 4.1 Preliminary Points
  - 4.2 Legal options for opening the carbon market to Compensated Reduction
    - 4.2.1 Place Compensated Reduction in a "Stand-Alone" Agreement
    - 4.2.2 Place Compensated Reduction in subsequent commitment periods post-Kyoto
    - 4.2.3 Place Compensated Reduction in a UNFCCC COP and/or KP MOP decision recognizing that early reductions earned prior to 2012, as well as those earned after 2012, will be rewarded with carbon market access, without prejudice to whether that market arises under the UNFCCC or Kyoto

## 1. Introduction

*“Tropical rainforest nations deserve to be treated equally. If we reduce our deforestation, then we should be compensated for these reductions – as are industrial countries. The compensation we seek is access to the world’s carbon markets, but on a fair and equitable basis.”<sup>1</sup>*

The nascent global carbon trading market is beginning to attract new players in the struggle to combat climate change, and none too soon. Absent “urgent and strenuous” greenhouse gas (GHG) emissions cuts in the next 20 years, the world will almost certainly be committed to a temperature rise, by 2050, of between about 0.5° C and 2° C relative to today, with possible breakup of the Greenland ice sheet and consequent sea level rise that would render many coastal cities uninhabitable.<sup>2</sup>

Most industrialized nations have, as a first step, capped GHGs via the Kyoto Protocol.<sup>3</sup> The current US administration opposes caps. The stand-off is delaying agreement on further, urgently needed, broader emission cuts. While domestic politics in the US is shifting,<sup>4</sup> delay has its price. Postponing emissions cuts 20 years, for example, could require GHG cuts three to seven times faster to meet the same warming target. Delaying even five more years narrows the time window for averting dangerous climate change.<sup>5</sup>

A new proposal, however, gives reason for hope. “Compensated Reduction,” advanced by Brazilian and US scientists at the Montreal climate treaty talks in 2005, would allow developing countries that reduce deforestation rates to be compensated with tradable emissions allowances.<sup>6</sup> The carbon market has great potential to incent large-scale forest protection, and thereby offer near-term insurance against dangerous climate change, while helping break the log-jam between the US and other countries. This paper outlines legal options for integrating forest protection into the global carbon market.

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<sup>1</sup> Statement by H.E. Robert G. Aisi, Ambassador of Papua New Guinea to the UN, to the UNFCCC Seminar of Governmental Experts, May 17, 2005, Bonn, Germany, online: [http://unfccc.int/files/meetings/seminar/application/pdf/sem\\_abs\\_papua\\_new\\_guinea\\_final.pdf](http://unfccc.int/files/meetings/seminar/application/pdf/sem_abs_papua_new_guinea_final.pdf).

<sup>2</sup> *Avoiding Dangerous Climate Change: Report of the 2005 Scientific Symposium on Stabilisation of Greenhouse Gases* (UK Department of Environment, Food, and Rural Affairs, January 2006), Executive Summary at 3-4. Online: <http://www.defra.gov.uk/environment/climatechange/internat/dangerous-cc.htm>. See also Valentin Bellassen and Bill Chameides, “High Water Blues: The Climate Science Behind Sea Level Rise and Its Policy Implications – 2005 Update” (Environmental Defense 2005), at 10.

<sup>3</sup> Kyoto Protocol on Climate Change [[insert Canada cite for KP]]

<sup>4</sup> See, e.g., Alan Eisner, “Evangelicals urge action on global warming,” ABC News, February 8, 2006.

<sup>5</sup> *Avoiding Dangerous Climate Change*, supra n. 4, Executive Summary at 2-3.

<sup>6</sup> See Moutinho & Schwartzman, supra n. 1; and see M. Santilli et al., “Tropical Deforestation and The Kyoto Protocol,” *Climatic Change* (2005) 71: 267–276, DOI: 10.1007/s10584-005-8074-6.

## 2. The Genesis of an Idea: Why Didn't Kyoto Address Developing Countries' Deforestation Emissions?

Emissions from deforestation are huge. The destruction of forests is the largest emitting sector in the developing world.<sup>7</sup> Estimates indicate that on a daily basis, forest destruction in the developing world emits as much or more than all the cars and trucks and power plants in the entire United States.<sup>8</sup>

In the history of efforts to combat climate change, however, attention has focused only intermittently on this large bloc of emissions. The 1992 UN Framework Convention on Climate Change (UNFCCC), which has as its central goal the stabilization of GHG concentrations in the atmosphere at a level that will avert dangerous climate change, requires all Parties, taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances, to publish national inventories of anthropogenic emissions of greenhouse gases by sources and removals by sinks; “sources” include “any process or activity that releases a greenhouse gas,” which by definition includes forest destruction.<sup>9</sup> The UNFCCC specifically requires the Parties to promote sustainable management, and promote and cooperate in the conservation and enhancement of sinks and reservoirs of GHG, including forests.<sup>10</sup> To meet the UNFCCC-established requirement that developed countries aim, “individually or jointly,” to return their GHG emissions to 1990 levels by 2000, the UNFCCC allows Parties to implement policies and measures “jointly with other Parties”<sup>11</sup> – which could, in principle, include joint efforts to protect forests in developing nations.

In the early 1990s, the administration of President George H.W. Bush launched a “Forests for the Future Initiative” that sought to develop incentives for large-scale protection of the world’s forests, particularly in the developing world.<sup>12</sup> In the mid-1990s, the administration of President Bill Clinton launched a “US Initiative on Joint Implementation (USIJI),” which included a few forest protection projects.<sup>13</sup> But these efforts sputtered, and did not significantly stem deforestation in developing nations.

In 1997, the adoption of the Kyoto Protocol on Climate Change set the stage for mandatory caps on GHG emissions of over 30 industrialized nations for the years 2008-2012. Kyoto allows nations with binding emissions caps to meet their targets using a set of flexible market mechanisms, including emissions trading with other capped nations, and joint projects in developing nations that lack emissions caps. Under this latter option, known as the Clean

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<sup>7</sup> Moutinho & Schwartzman, *supra* n. 1;

<sup>8</sup> A. Petsonk & G. Silva-Chavez, “Rainforest Credits,” *Carbon Finance* (December 2005/January 2006).

<sup>9</sup> United Nations Framework Convention on Climate Change [[INSERT standard cite form]], Articles 1, 2 and 4.1(a).

<sup>10</sup> *Ibid.* at Article 4.1(d).

<sup>11</sup> *Ibid.* at Articles 4.2(b) and 4.2(a).

<sup>12</sup> Personal knowledge of the author.

<sup>13</sup> “Activities Implemented Jointly: Fourth Report to the Secretariat of the United Nations Initiative on Joint Implementation to the UN Framework Convention on Climate Change,” at Part 3: USIJI National Program Report (USIJI 1999), online: <http://www.gcrio.org/usiji/pdf/vol2part3.pdf>

Development Mechanism (CDM), projects in uncapped nations that reduce emissions below what would have occurred in the absence of the projects can earn tradable certified emission reductions (CERs).<sup>14</sup>

On its face, nothing in the text of Kyoto requires that the CDM discriminate against projects that reduce emissions from deforestation. In the late 1990s, however, as rules were negotiated to implement Kyoto's flexible mechanisms, the question whether the CDM would allow crediting for forest protection projects became highly controversial. The disagreement erupted in a major dispute at the Sixth Conference of the UNFCCC Parties in The Hague in November 2000, and was a contributing factor in the collapse of those negotiations.<sup>15</sup>

One common misperception was that projects to reduce emissions from deforestation were actually "sinks" projects – aimed at increasing the uptake of carbon by trees.<sup>16</sup> Many sought to limit such "sinks crediting", and seized on what seemed to be the largest amount of potential sinks credits – deforestation. Consequently, when CDM rules were finally agreed in Marrakesh, Morocco, in 2001, the rules only provided a basis for crediting projects that boost carbon dioxide uptake through reforestation and afforestation. The largest source of emissions in the developing world - emissions from deforestation – were left off the table.<sup>17</sup>

At the Eighth Conference of the Parties (COP-8) to the UNFCCC, in Delhi, India, in 2002, Brazilian scientists and experts observing the talks, realizing that the CDM agreed rules could actually give rise to perverse incentives to destroy rather than protect forests, regrouped. The following year, at a side event at COP-9 in Milan, Italy, they presented a new proposal, "Compensated Reduction," and launched extensive consultations with non-governmental organizations, governmental representatives, and academic scientists, including at an informal round table co-sponsored by the European Union at COP-10 in Buenos Aires, Argentina in 2004.

It became apparent that "Compensated Reduction," by rewarding nations that reduced deforestation at national levels, addressed many of the arguments that opponents had raised when project-level crediting for reducing deforestation emissions had met such a stormy reception at The Hague. For example, many had expressed concern about the risk of "leakage" – the risk that although forest had been protected in one area, it would be chopped down in another, and that issuing tradable credits for emission reductions in the project area would result in an increase in total emissions if the credits were used to offset other emissions and emissions also occurred in

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<sup>14</sup> Kyoto Protocol, *supra* n. 4, at Articles 3, 12, and 17.

<sup>15</sup> "Summary Of The Sixth Conference Of The Parties To The Framework Convention On Climate Change: 13-25 November 2000," Earth Negotiations Bulletin Vol. 12 No. 163 (Monday, 27 November 2000), at "WHAT SUNK THE COP?": Online: <http://www.iisd.ca/vol12/enb12163e.html>

<sup>16</sup> *Ibid.*

<sup>17</sup> UNFCCC Decision 17/CP.7: Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol, at paragraph 7(a), reprinted in Report Of The Conference Of The Parties On Its Seventh Session, Held At Marrakesh From 29 October To 10 November 2001, FCCC/CP/2001/13/Add.2, 21 January 2002, at p. 22. Online at <http://unfccc.int/resource/docs/cop7/13a02.pdf>.

the chopped-down area. Compensated Reduction addressed leakage – and many other contentious issues as well - by using a national-level approach to crediting.<sup>18</sup>

### 3. The Montreal Meeting - 2005

By early 2005, the picture had changed considerably. The Kyoto Protocol had entered into force following Russia's ratification in autumn 2004. The European Union had launched its emissions trading system (EU-ETS), so that market prices for carbon dioxide were beginning to be observed. Non-governmental and governmental experts from Brazil, Papua New Guinea, and the US began to focus on strategies for further development of the scientific, technical, and methodological issues, as well as the politics of getting the issue on the agenda for the 2005 climate treaty talks to be held in Montreal. And, a growing number of scientists and experts were warning that the time window for meeting the objective of the UNFCCC – that is, for averting dangerous climate change - was narrowing, and that emissions cuts were urgently needed.<sup>19</sup> This point was particularly powerful among some environmental NGOs who had opposed project-based crediting. They began to realize that if the world is to avert dangerous climate change, it would be far preferable to figure out a way to incentivize credible, large-scale reductions in emissions from deforestation than to continue wrangling over denying credits to small scale forest conservation projects.

In the run-up to the December 2005 climate treaty talks in Montreal, under the leadership of Papua New Guinea and Costa Rica, a group of rainforest nations stepped forward to propose that the talks address emissions from deforestation in developing countries.<sup>20</sup> At Montreal, their proposal was supported by every other nation – except the US administration, which sought to block it.

In other circumstances, the opposition of the world's biggest emitter could be sufficient to stop an initiative in the climate treaty talks. But that did not occur. At Montreal, Brazil announced a major reduction in deforestation, a development that was welcomed by other nations, including representatives from the US legislative branch who were observing the talks. The rainforest nations thus saw first-hand that the views of the US executive branch, which traditionally holds the exclusive foreign policy power, do not necessarily represent the views of the US legislative branch or of other levels of American government. At Montreal, the rainforest nations met with the mayor of Seattle, Washington, who told them of the efforts in his city and nearly 200 other American municipalities to cut GHG and meet Kyoto targets. They learned of efforts by northeastern US states to cap GHGs and establish a trading program that would be open to emission reductions earned outside the US, including, potentially, by protecting forests in

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<sup>18</sup> For detailed consideration of the concerns raised by opponents of project-level crediting for reducing emissions from forest destruction, and the ways in which Compensated Reduction addresses those concerns, see Santilli et al., *supra* n. 7, and Moutinho & Schwartzman, *supra* n. 1.

<sup>19</sup> M. Oppenheimer & A. Petsonk, "Article 2 Of The UNFCCC: Historical Origins, Recent Interpretations," *Climatic Change* (2005) 73:195-226, DOI: 10.1007/s10584-005-0434-8 (collecting sources).

<sup>20</sup> "Submission by the Governments of Papua New Guinea & Costa Rica- Reducing Emissions from Deforestation in Developing Countries: Approaches to Stimulate Action," UNFCCC Eleventh Conference of the Parties (2005), FCCC/CP/2005/MISC.# (Agenda Item # 6).



developing nations.<sup>21</sup> The rainforest nations met with a member of the US senate, who explained to them that in June 2005 a bipartisan majority of the senate had resolved that Congress should enact a program of mandatory, market-based limits and incentives to slow, stop and reverse the growth of America's GHG emissions, and to do so in a way that would encourage "comparable action" by developing nations.<sup>22</sup> And the rainforest nations learned of a letter that a bipartisan group of US senators sent to the president of the COP welcoming their initiative.<sup>23</sup> At Montreal when the rainforest nations pressed the issue, the Eleventh Meeting of the Conference of the Parties to the UN Framework Convention on Climate Change agreed – with the US a reluctant yes - to launch a two-year process to determine how to address emissions from deforestation.<sup>24</sup> The COP charged its Subsidiary Body on Scientific and Technical Advice (SBSTA) to consider relevant scientific, technical and methodological issues, and the exchange of relevant information and experiences, including policy approaches and positive incentives. The COP invited Parties to submit recommendations on any further process to consider the issues; pledged to convene a workshop (subject to availability of funds) in autumn 2006; and asked SBSTA to issue a report at its twenty-seventh session (December 2007) on the issues, including any recommendations.<sup>25</sup>

## **4. Legal Options for Integrating Into the Carbon Market Incentives for Large-Scale Forest Protection In Developing Nations: Making Compensated Reduction A Reality**

### **4.1 Preliminary Points**

At Montreal, sentiments ran strongly in favor of addressing deforestation emissions in a way that does not disturb the delicate consensus on which the Marrakesh Accords rest, and that does not require re-negotiation of the 2008-2012 commitments of the Kyoto Protocol itself. Consequently, legal options that entail either of these will not be considered here.<sup>26</sup> In addition, at Montreal, while there was broad agreement among nations (with the exception of the US administration) on the principle that developing nations should be compensated for reducing deforestation, views were not unanimous on how that compensation should be obtained. The two dominant views are:

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<sup>21</sup> Agreement on the regional program was finalized shortly after the Montreal meeting. See, e.g., Anthony DePalma, "Seven States Agree on a Regional Program to Reduce Emissions From Power Plants," *The New York Times*, December 21, 2005.

<sup>22</sup> See "To express the sense of the Senate on climate change legislation," S.Amdt. 866 to H.R. 6 (Energy Policy Act of 2005).

<sup>23</sup> Letter from Senators Joseph Biden, Susan Collins, Joseph I. Lieberman, and Olympia Snowe to His Excellency Stéphane Dion, President, Eleventh Conference of the Parties to the UN Framework Convention on Climate Change, December 9, 2005 (copy on file with the author).

<sup>24</sup> "Reducing emissions from deforestation in developing countries: approaches to stimulate action," FCCC/CP/2005/L.2, December 6, 2005.

<sup>25</sup> *Ibid.*

<sup>26</sup> For a detailed discussion of these options, see Petsonk, *supra* n. 1.

- (1) compensation should be provided by industrialized nations under a development assistance model; and
- (2) compensation should be provided via access to the global carbon market.

A range of studies indicates that while traditional foreign aid/development assistance may be useful in helping build capacity and institutions for Compensated Reduction, the amount of funds that realistically could be made available through aid/assistance channels is minuscule compared with the carbon market.<sup>27</sup> Consequently, the remainder of this chapter will focus on the market channel.

## **4.2 Legal options for opening the carbon market to Compensated Reduction**

### **4.2.1 Place Compensated Reduction in a “Stand-Alone” Agreement**

One option for nations seeking carbon market access as compensation for reducing emissions from deforestation could be to seek a stand-alone agreement, in the form of a protocol to the UNFCCC; an agreement in a different United Nations venue, e.g. the UN Forum on Forests (UNFF); or entirely outside the UN system.

Such an approach could, in principle, proceed on a clean slate, unencumbered by existing legal frameworks and institutions. Nations that wished to participate in such a negotiation could proceed on their own timetable. The agreement, by its terms, could enter into force with as many or as few parties as the negotiating nations wish. The agreement could offer substantial flexibility as concerns the nature of compensation. And nations that have chosen not to join Kyoto would be free to participate.

A disadvantage is that a stand-alone agreement done outside the framework of either the UNFCCC or the Kyoto Protocol could not guarantee its members access to the global carbon market. That is because it is the presence of mandatory emission caps on at least some nations that creates the scarce commodity of GHG emission allowances; without mandatory emission caps, the “currency” that a standalone agreement might award would not have value because it would not be “creditable” against emission reduction obligations of nations participating in the carbon market. Were such a stand-alone agreement done in the form of a protocol to the UNFCCC, it would only apply to the subset of nations that decided to adopt it, again raising hurdles to the fungibility of any carbon crediting such a agreement might seek to award.

### **4.2.2 Place Compensated Reduction in subsequent commitment periods post-Kyoto**

A second option would be for nations, as they move forward to negotiate a post-Kyoto framework, to include Compensated Reduction in any market that framework might create. At Montreal, the Kyoto Protocol Parties adopted a decision creating an ad hoc working group to commence negotiations on a second commitment period, with the explicit aim of having the

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<sup>27</sup> See Moutinho & Schwartzman, supra n. 1, collecting studies.

group complete its work and have its results adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol “in time to ensure that there is no gap between the first and second commitment periods.”<sup>28</sup> The SBSTA could simply recommend to the Kyoto Protocol Parties, directly or through Kyoto’s parent agreement, the UNFCCC, that the Kyoto Protocol Parties incorporate CR into whatever framework of for a second commitment period they agree.

A major objection to this approach is that many developing nations want to create pathways that encourage the United States to join them in participating in international carbon markets. Proceeding solely under Kyoto, which the US rejected and is unlikely to join, would perpetuate the isolation of the US, and leave out one of the biggest potential demanders of rainforest tons. Nations at Montreal brought the deforestation issue up in the UNFCCC COP rather than the Kyoto Protocol MOP precisely in order to reach out to the United States. Placing Compensated Reduction in the negotiations on a second commitment period under Kyoto could serve as a fall-back option in the event other options are unsuccessful; however, it is, for the preceding reasons, not a first choice.

4.2.3 Place Compensated Reduction in a UNFCCC COP and/or KP MOP decision recognizing that early reductions earned prior to 2012, as well as those earned after 2012, will be rewarded with carbon market access, without prejudice to whether that market arises under the UNFCCC or Kyoto

The UNFCCC COP and/or the Kyoto Protocol MOP could adopt a decision, as early as COP-12 or COP-13, committing that they will compensate any developing nation that, starting in 2005, reduces its deforestation rate below an agreed multi-year historical base period, by issuing credits that will be internationally tradable starting in 2013, in accordance with rules to be adopted, by a date certain, by either the COP or the MOP.

The decision could outline, to the maximum extent possible, such crucial elements as structure of multi-year base periods, minimum requirements for measurement and monitoring, and insurance reserves, but it need not specify these in detail at this juncture. What is urgent is to provide, as soon as possible, a clear signal to developing countries and the international market with that the COP will compensate reductions in deforestation by providing guaranteed carbon market access; and that it will establish a process, with definite timelines, for reaching agreement on outstanding issues.

That the UNFCCC COP has legal competence to issue such a decision is clear. The UNFCCC COP is the Supreme Body of the Convention.<sup>29</sup> The Convention gives the COP the power to adopt, and to make, within its mandate, the decisions necessary to promote the effective

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<sup>28</sup> Conference of the Parties Serving As the Meeting of the Parties to the Kyoto Protocol, Decision -/CMP.1 Consideration of commitments for subsequent periods for Parties included in Annex I to the Convention under Article 3, paragraph 9, of the Kyoto Protocol (December 11, 2005).

<sup>29</sup> UNFCCC Article 7, para. 2.

implementation of the Convention.<sup>30</sup> The Convention therefore gives the COP full power to make decisions about the future legal regime it will establish.

To anticipate the possibility that the current US administration may block such a decision in the UNFCCC, the Kyoto Parties might wish to adopt a parallel decision under Article 3.9 of the Protocol guaranteeing that developing countries that reduce deforestation prior to 2012 will receive carbon credits fungible in the post-2012 market.

**Advantages.** Such COP and COP/MOP decisions could be adopted in a relatively straightforward manner. By providing that reductions in deforestation achieved before 2012 would be creditable post-2012, this option does not require amendment of either the Kyoto Protocol or the Marrakesh Accords as they stand for the 2008-2012 time frame. It does not try to crowbar a national-level approach into the CDM. By creating incentives for actions pre-2012, but reserving crediting until post-2012, it avoids any objection about attempts to renegotiate Kyoto. It does not demand that existing institutions divert their attention from their existing mandates in order to undertake this new work.

An early COP or COP/MOP decision guaranteeing market access would provide a strong legal foundation. Legal precedent exists, as a similar approach was used under the UNFCCC to move the Marrakesh Accords prior to Kyoto's entry into force, including providing early recognition of CDM credits earned starting in 2000.<sup>31</sup>

Such a decision would provide a powerful signal for nations and investors about a crucial element of the future carbon market. It could help open linkages to the US and any domestic markets that the US, at national or subnational levels, might subsequently develop. The prospect of this greater market integration, in turn, might help facilitate agreement on the launch of such national and subnational programs.

**Disadvantages.** This approach cannot provide complete market certainty, as it leaves many issues open and could be revised by the COP or MOP in the future.

Nonetheless, on balance, the advantages of Guaranteed Carbon Market Access appear to outweigh its disadvantages relative to the other options considered, and to provide a clear path forward for Compensated Reduction to incent large-scale forest protection as soon as possible.<sup>32</sup>

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<sup>30</sup> Ibid.

<sup>31</sup> See Marrakesh Accords, *supra* n. 18.

<sup>32</sup> In addition, this approach could provide a "template" or model by which other developing nations, including those that do not have significant deforestation, could participate in the carbon market more broadly. That is, nations that decide to try, during the years 2005-2012, to reduce their overall greenhouse gas emissions, could receive an initial endowment of "environmental capital" in the form of assigned amount units (AAUs) established at or above their business-as-usual emissions trajectory, based on reasonable macroeconomic analysis of expected emissions. These nations could use their environmental capital endowments (ECEs) to finance investments in cleaner development, without the need for project-by-project demonstrations of additionality and leakage. When such investments reduce emissions below business-as-usual, they render a larger surplus of AAUs, forming more environmental capital. See, e.g., D. Dudek, J. Goffman, "Emissions Budgets: Building An Effective International Greenhouse Gas Control System", Environmental Defense Fund, New York, New York, February 1997; D. Dudek et al., "Cooperative Mechanisms Under the Kyoto Protocol: The Path Forward", Environmental Defense Fund, New

The science is overwhelming: early reductions are urgently needed if the world is to avert dangerous climate change. Large-scale reductions in deforestation could play a crucial role in keeping pathways open for the future.

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York, New York, June 1998. If the world's largest emitters remain outside the market, it may soon become impossible to meet the Convention's Article 2 objective. See M. Oppenheimer and A. Peterson, "Reinvigorating the Kyoto System, and Beyond: Maintaining the Fundamental Architecture, Meeting Long-Term Goals," G20 Leaders and Climate Change (Council On Foreign Relations, September 2004).

**ANNEX: DRAFT DECISION: COMPENSATED REDUCTIONS**

The Conference of the Parties to the UN Framework Convention on Climate Change [The Meeting of the Parties to the Kyoto Protocol]

*Recalling* the objective of the Framework Convention on Climate Change;

*Noting* the urgency of providing compensation to developing nations that reduce emissions from deforestation;

*Aware* that market certainty can provide a powerful signal for nations and investors to help build capacity in measuring and monitoring deforestation and to help develop the incentives and institutional infrastructure for reducing deforestation;

... [[other preambular clauses?]]

*Taking into account* the recommendations of the Subsidiary Body on Scientific and Technological Advice and the results of the international workshop held in 2006;

*Decides* that any developing nation that, starting in 2005, reduces its national rate of deforestation below an agreed multi-year historical base period, will be compensated by the issuance of ton-for-ton carbon credits, and that such credits shall be fungible in any post-2012 market that the [Conference of the Parties] [Meeting of the Parties] may subsequently establish.

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