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CALIFORNIA'S OPPORTUNITY TO SET THE STANDARD FOR TROPICAL FOREST CREDITS

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An exciting milestone in the effort to slow and eventually reverse tropical deforestation may happen in two weeks when the California Air Resources Board decides whether to endorse a California Tropical Forest Standard. Approving the Standard would bring California one step closer to launching the first regulatory market for compensating a portion of the carbon emission reductions that tropical forest states and provinces achieve by slowing deforestation. Last month in the runup to the Global Climate Action Summit in San Francisco, the California Air Resources Board released a draft Standard—the first set of rules for how tropical states and provinces that reduce emissions from deforestation could sell credits to compliance carbon markets, potentially including California's influential cap-and-trade program. This week EII joined dozens of other institutions in submitting public comments on the draft Standard. We strongly support the California Air Resources Board endorsing the California Tropical Forest Standard. Here is a summary of the main reasons why: **Solving climate change necessitates reversing tropical deforestation.** The recent report of the Intergovernmental Panel on Climate Change on limiting global warming to 1.5 degrees Celsius makes clear that solving climate change requires two monumental transitions. First, a transition in energy use from fossil fuels to renewables. And second, a transition in land use from deforestation and forest degradation to protecting and restoring forests, especially in the tropics where forests are richest in carbon and are being lost the fastest. California is already a world-renowned leader in policy for achieving the energy transition. By approving the Draft Tropical Forest Standard, California would go far toward being a policy leader for achieving the land transition as well. **Tropical deforestation is not yet reversing.** As with energy, the state of tropical forests overall has been trending in the wrong direction. Tropical deforestation has steadily accelerated this century, with the most recent two years having the highest rates of tropical tree-cover loss on record. Even so, some tropical countries and states have shown impressive successes in reducing deforestation, especially in the Brazilian Amazon, often with little recognition or reward. Their successes in reducing deforestation have been accompanied by important progress addressing social issues, including enhanced rights, finance, and formally recognized and defended forest territories of indigenous peoples. In addition, the maintenance of tropical forests increases environmental services and habitat for biodiversity. **Endorsing the California Tropical Forest Standard would contribute to reversing tropical deforestation.** By endorsing the Standard, the California Air Resources Board would support tropical jurisdictions seeking to protect and restore forests by providing economic benefits while safeguarding the rights of local indigenous peoples and traditional communities. Currently, pay-for-performance finance has been leveraged to

enhance indigenous peoples' rights in tropical forest jurisdictions, most notably in Acre, Brazil, where one-third of finance is channeled to support indigenous communities, through mechanisms determined by indigenous peoples themselves. For the few jurisdictions able to sell offset credits directly to California, the possibility of offset finance would offer an alternative to deforestation-driven economic development, converting forest conservation from a short-term economic burden into an opportunity. However, the quantity of tropical forest offsets that could be sold to California has been tightly restricted so that nearly all emission reductions occur domestically. Jurisdictions unable to sell directly to California could still hope to benefit by selling to other states, provinces, countries, industry associations, or voluntary buyers following the lead of California's Standard. **California is the right leader.** California is known worldwide as a leader in environmental regulation and for setting strong standards. California's domestic forestry offsets are successfully restoring forests and protecting biodiversity; half of the credits issued have been to projects led by Native Americans. California Air Resources Board can apply the same high bar for social and environmental safeguards to tropical forests. California, along with other members of the Governors' Climate and Forests (GCF) Task Force, are forging a new model for recognizing and supporting the rights of indigenous peoples and their role as forest stewards via their recent endorsement of the Guiding Principles of Collaboration and Partnership between Subnational Governments, Indigenous Peoples and Local Communities. By integrating these Principles into the Standard and California's regulatory framework, California can also set an important precedent for other GCF Task Force member states to do the same. **Endorsing the California Tropical Forest Standard would benefit Californians.** Endorsing the Standard as a step toward including jurisdictional sector-based offsets from tropical forests into the cap-and-trade system would benefit all Californians. The availability of lower-cost offsets would help avoid increases in electricity prices as California's cap on emissions ratchets downward. Because of the tight constraints on the use of offsets, tropical forest offsets would displace offsets from other sources rather than domestic emission reductions. Endorsing the Standard would expand the fight against climate change from the roughly 1% of global greenhouse gas emissions within California's borders to the 16-19% of emissions from gross tropical deforestation and forest degradation. Keeping tropical forests standing lowers the long-term risks of climate change to all Californians, such as sea level rise, fires, and drought. Taking this step would be yet one more way for California to show the world that in the face of dangerous intransigence on climate in national capitals, "we are still in." **The time is now: advances in policy design and forest monitoring.** It has been more than a decade since California first introduced the Global Warming Solutions act in 2006. Since then there has been voluminous analysis of policy design for credits for reducing emissions from deforestation and forest degradation, including by the REDD Offsets Working Group. There has been much useful practical experience, including through Brazil's Amazon Fund and the Carbon Fund of the Forest Carbon Partnership Facility. Furthermore, scientific and technical capacities to monitor forest loss have advanced rapidly and have been implemented in reliable, transparent governmental deforestation

monitoring programs, such as the PRODES program in Brazil. Measurement capabilities for reducing emissions from deforestation and forest degradation currently meet operational needs and will continue to rapidly advance as a result of new technology. **The draft Standard sets the bar high.** The draft California Tropical Forest Standard itself is well thought through, rigorous, and sets a high bar for environmental integrity and social safeguards, especially for indigenous peoples. It is consistent with what experts and stakeholders expect to see from a jurisdictional offset protocol for reduced emissions from deforestation and forest degradation. On its own the Standard is just one important step toward integrating credits for reducing emissions from deforestation and forest degradation into the California cap-and-trade program. But it would set a high standard for all other carbon markets to follow or be measured against. When the California Air Resources Board meets in two weeks in Sacramento, they will have many good reasons to endorse the Standard.