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CALIFORNIA SHOULD PACKAGE DEFORESTATION-FREE PROCUREMENT ACT (AB-572) WITH TROPICAL FOREST STANDARD

Jonah Busch | Research Associate

This Wednesday the California Assembly is scheduled to begin debate on AB-572, the California Deforestation-Free Procurement Act. The bill, introduced by Assemblymember Ash Kalra and co-sponsored by Assemblymembers Richard Bloom, Eduardo Garcia, and Eloise Reyes, would require state contractors to have policies ensuring that the beef, soy, palm oil and other commodities they import to California aren't contributing to tropical deforestation. Tropical deforestation is an urgent problem that affects all Californians by accelerating climate change, which causes fires, drought, sea-level rise, and a melting snowpack. So the California legislature is to be commended for recognizing this global issue. But if the only measure California takes to address tropical deforestation is to levy restrictions on imported goods from tropical forest regions, it would jeopardize the goodwill the state has built with tropical forest states as a founder and leader of the Governors' Climate and Forest Task Force and Under2 Coalition. Unless paired with more collaborative measures, AB-572 risks turning tropical forest states from partners into adversaries, which would be counterproductive to long-term efforts to reduce deforestation. By far the most significant action California could take to address tropical deforestation would be to endorse the California Tropical Forest Standard, paving the way for tropical states that protect their forests to earn income by selling credits for having reduced emissions. If California packages deforestation-free procurement with endorsement of the Standard, it would not be viewed as turning its back on international collaboration, but as adding a second tier to its leadership on tropical forests and climate change. **Deforestation-free supply chains and producer backlash** Tropical deforestation is the second-leading cause of climate change after burning fossil fuels. In fact if tropical deforestation were a single country it would rank third in carbon emissions after China and the US. At least one-third of tropical deforestation takes place to clear land to produce a few globally traded commodities, such as beef and soy in Latin America, and palm oil and wood products in Southeast Asia. Tropical deforestation for "forest-risk commodities" emitted 2.6 billion tons of carbon dioxide per year from 2010-2014, according to a new paper by Florence Pendrill and colleagues—almost as much as India emits every year from all sources. Hundreds of companies involved in buying and selling forest-risk commodities have pledged to eliminate deforestation from their supply chains. They have been motivated to commit to deforestation-free supply chains by campaigning groups "naming and shaming" companies, as well as a desire to do the right thing on climate change, biodiversity, and sustainable development. Notable corporate commitments include

the pledge by companies in the Consumer Goods Forum in 2010 to achieve "zero net deforestation" by 2020, and the New York Declaration on Forests in 2014 aiming to halve natural forest loss globally by 2020 and end it by 2030. Some corporate commitments have had an impact on deforestation. In Brazil, for example, industry-wide moratoriums on purchases of soy and beef from recently deforested areas made a significant but modest contribution to reducing Amazon deforestation 80% between 2004-2012, though their impact paled in comparison to that of public policies. Yet on the whole, individual corporate pledges have generally been slow to translate into action, and tropical forest loss continues to rise. One of the biggest challenges to date has been the difficulty of tracing supply chains back to actions taken on individuals farms. Certification of sustainability at the level of an entire jurisdiction could help ease this concern, as could purchase agreements for sustainably produced commodities between companies and "safe" jurisdictions. Recently, some northern governments have started joining companies in restricting trade in forest-risk commodities. France has launched a national "battle against imported deforestation" that includes removing palm oil from the list of biofuels eligible for tax breaks, as well as creating a deforestation-free label and a $69M aid package. Norway banned the import of non-sustainable palm oil, alongside the billions of dollars it has paid tropical countries that have reduced deforestation. The European Union declared member states can no longer use palm oil as a biofuel to meet renewable transport targets under the EU Renewable Energy Directive. But these unilateral prohibitions on imported goods invite backlash from producer countries. Especially when the trade restrictions fail to distinguish between sustainably and unsustainably produced goods, or aren't packaged with more collaborative approaches internationally and ambitious climate policies domestically. Malaysia has derided the recent EU decision as "protectionist," "discriminatory," and "insulting" and has threatened a trade war of retaliatory tariffs. Indonesia has threatened to bring a challenge to the World Trade Organization. The EU measure does indeed appear to favor domestic farmers of rapeseed (canola) oil and sunflower oil, which are produced far less efficiently than palm oil on a ton-per-hectare basis. Zero-deforestation pledges haven't only triggered political backlash across countries, but within tropical countries too, by alienating farmers. EII's Executive Director Dan Nepstad sees backlash to an agenda of zero-deforestation as having contributed to the anti-environmental platform and electoral victory of Brazilian President Jair Bolsonaro. **Enter AB-572** California may be about to join this wave of developed countries seeking to address deforestation by restricting imports. AB-572 would require state contractors supplying "forest-risk commodities" to have "no deforestation, no peat, no exploitation" policies, meaning that companies whose products come from recently deforested areas could no longer legally sell their products to the state government of California. The bill would be similar in nature to existing rules for state procurement covering child labor and sweatshop labor. The impact of the bill would be largely symbolic. For one thing, penalties for companies that violate the provisions of the bill are limited to fines of up to $1,000 and misdemeanors for making false statements. The most recently posted version of the bill took out an earlier provision that could have

removed violators for up to two years from the list of eligible state contractors. For another thing, the US imports a far smaller share of forest-risk commodities than does Europe or China. California is only a fraction of US imports, and California public procurement is an even smaller share that that. The small slack in commodity demand from the state of California washing its hands of tropical deforestation would be largely picked up by consumers elsewhere. The larger impact of the bill would come from the message it sends and precedent it sets for governments of other consumer countries. And when it comes to symbolism and precedent, California wields outsized influence in determining whether rich countries' approaches to addressing tropical deforestation will be unilateral or collaborative. **Carbon payments for keeping forests standing** The United Nations Framework Convention on Climate Change (UNFCCC) takes a different approach to tropical deforestation, rewarding tropical forest countries that keep forests standing rather than penalizing those that don't. The 2015 Paris Climate Agreement contains provisions for reducing emissions from deforestation and forest degradation (REDD+) whereby rich countries are to compensate tropical forest countries for a portion of their verified emission reductions through carbon payments, either out of public budgets or from private purchases of credits sold into carbon markets. As Frances Seymour and I discussed in Chapter 9 of our book *Why Forests? Why Now?*, reframing tropical forests as an area for international cooperation rather than combativeness represented a breakthrough in international relations on tropical deforestation that stretched back to the mid-19th century. Two recent developments provide a boost to carbon payments. The Green Climate Fund, the official body of the UNFCCC, recently announced that it will pay Brazil $96 million for its success in reducing emissions from deforestation. And Indonesia will soon join Brazil and Guyana in earning bilateral payments from Norway for a dramatic drop in deforestation in 2017. The state of California would give a big boost to carbon payments if its Air Resources Board were to endorse the California Tropical Forest Standard, a move supported by dozens of tropical forest states, hundreds of scientists, and Jane Goodall, among others. Positive signals from the legislative sponsors of AB-572 would go a long way toward an Air Resources Board endorsement. An endorsement of the California Tropical Forest Standard at the next Air Resources Board meeting in April would be especially timely in light of a recent decision by the International Civil Aviation Organization about which credits will be allowed as carbon offsets for airlines seeking to achieve "carbon neutral growth." The Standard, with its high bar for social and environmental safeguards and rigorous verification of emission reductions at the jurisdictional level, would offer airlines seeking to buy forest credits with a good indicator of high-quality rather than low-quality credits. **A package deal** It makes sense for California to package import restrictions with carbon payments. From a policy perspective, it would mix punitive "sticks" with beneficial "carrots." From the standpoint of domestic politics, a package deal would offer wins to two competing factions of the California environmental community. Some campaigning groups support AB-572, while endorsement of the California Tropical Forest Standard would advance a longstanding goal of more market-friendly organizations. A similar dynamic played out in 2017 when AB-398 extending cap-and-

trade through 2030 was passed as a package with AB-617 improving air quality in polluted communities. And from an international diplomatic perspective, endorsing the California Tropical Forest Standard would soften the blow to states in the Tropics with whom California has built partnerships through the Governors' Climate and Forest Task Force. California would not be viewed as turning its back on collaboration, but as adding a second tier to its commitment and leadership on tropical forests.