

Carbon Neutral Fossil and Development Projects

Using Forestry and Land Use Methods in
"Intended Nationally Determined Contributions"

London

April 21, 2015

“Citizen of the Year” Award and the Back Story



Awarded the "Global Pro Bono Environmental Deal of the Year" award, and the "Citizen of the Year award" by the American Lawyer magazine (AmLaw)

Back story -- AmLaw wants to provide incentive for Global Law Firms to do more on Climate issues. This is Dentons' suggestion to scale the idea.

The Global Importance of REDD+



- Emissions from degradation and deforestation is second largest category of global GHG emissions; larger than entire transportation sector.
- Pilot projects have led to sub-national plans and now some national plans.
- Insufficient public and private capital to support REDD+ projects (including other types of sustainable land use activities).
- In tropical climates with abundant resources and weak rule of law.

The Oddar Meanchey Project



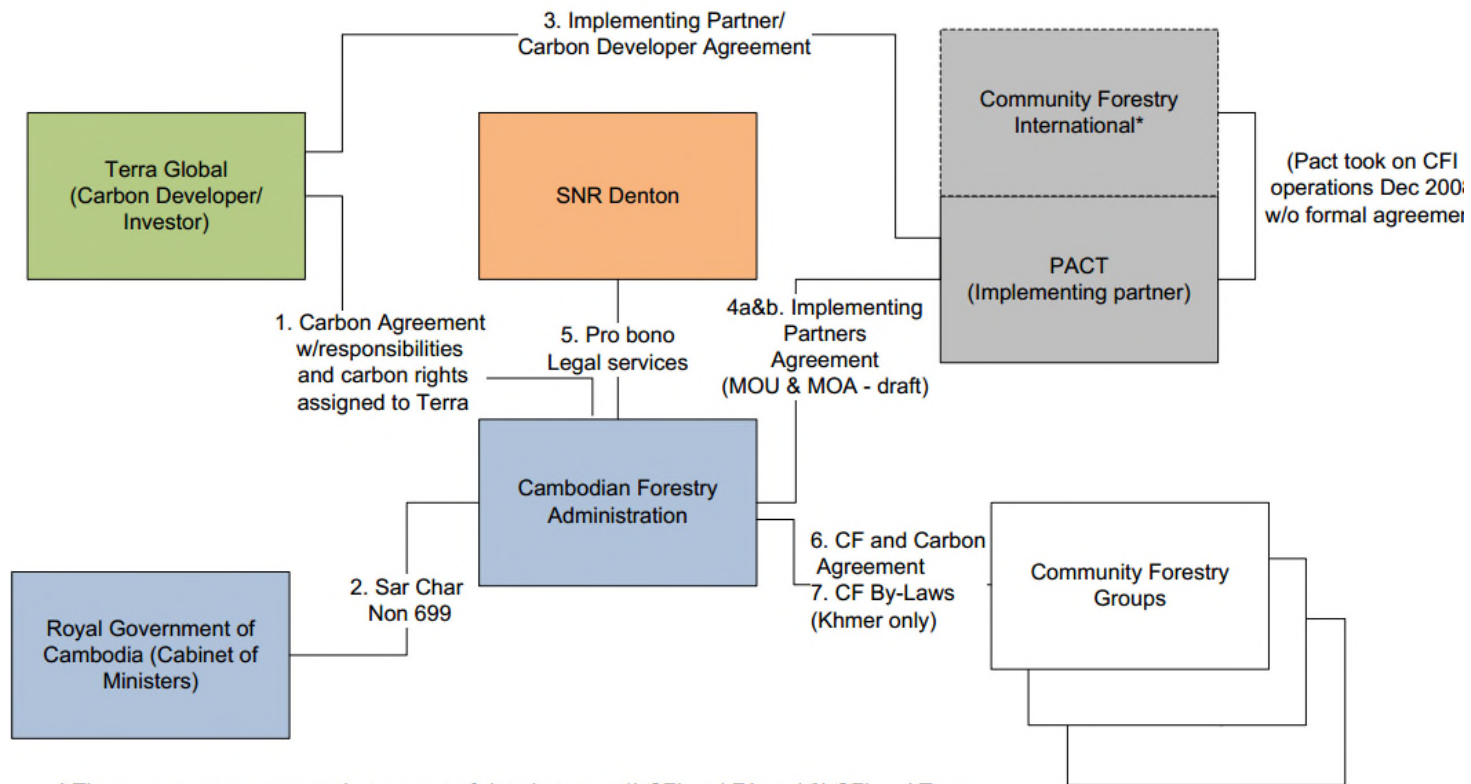
Project Impacts:

- Endangered and threatened animal and bird species;
- Ecosystem: last remaining intact forests; watershed and erosion control;
- Communities: 58 villages and 8,000 households, benefitting through:
 - legal land tenure, training, wells, employment, land-use, cook-stoves;
- Economic development;
- VCS Certification (double-verified credits for carbon sequestration);
- CCBA Certification (certification recognizing critical co-benefits).

"This was the rare pro bono deal that would have died without its lawyers." (per AmLaw)

The "Structure" for the Cambodia Project

Oddar Meanchey REDD Project and Investment Agreements



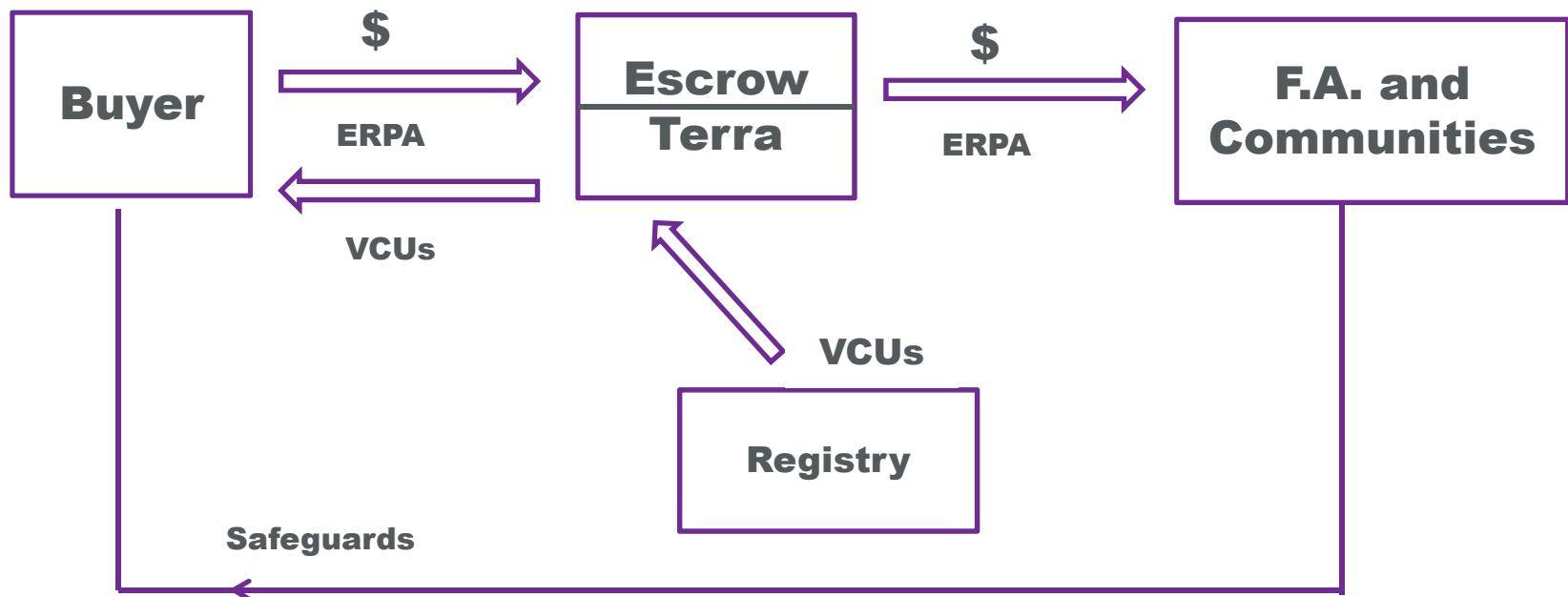
Dentons' Commercialization Structure

An "Umbrella ERPA" for Forestry Administration Control - with addenda

Challenge:

- ERPAs cumbersome and unfamiliar
- CSR offers are limited in time
- F.A. wanted control of price and quantity

Once agreement on price and quantity then:



We see opportunities to make a difference

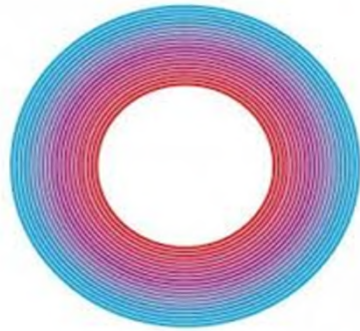
- Deforestation and degradation are the second largest CO₂e source globally.
- UN Model for a climate agreement in Paris is based on country commitments:
 - Intended Nationally Determined Contributions ("INDCs"),
 - Developing countries have a particularly broad choice of approaches.
- Payments for results, with transparency on distribution of funds, is a tool when regulatory approaches (rule of law) is not customary:
 - Monitoring, Reporting and Verification ("MRV") provide credibility and assurances of performance.
- REDD+ a particular opportunity in countries with abundant resources (fossil fuels and mining).
- Market pricing for offsets (compliance or voluntary) is within most internal carbon pricing of public and private enterprises.
- Projects have external oversight and can provide a "social contract" element.
- Community development aspects provide capacity building and co-benefits.

Status of REDD in UN Deliberations



- "The IPCC also notes that reducing and/or preventing deforestation is the mitigation option with the largest and most immediate carbon stock impact in the short term per hectare and per year globally as the release of carbon as emissions into the atmosphere is prevented."
- Warsaw Accords set stage for taking REDD+ credits into widespread use.
- Not a "compliance tool" for UN regulatory purposes, but an option for INDCs.
- International credits an option for INDCs

"Intended Nationally Determined Contributions"



LIMA COP20|CMP10



Each country requested to come up with its own plan: patterned on US-China accord

Developed countries -- a set of the "typical" choices

Developing and undeveloped countries -- what is the strategy?

What is the plan for development and mitigate or adapt for climate impact?

Use of Green Climate Fund to support renewables and other strategies

Use of REDD+ and other "landscape" offset projects with development projects

Putting it together

A "Hypothetical" INDC for Developing Country

Decides to commit to 50% reduction by 2030

Has fossil resources, ore resources, and forests

Does not identify scope, including AFOLU/REDD+, or use of international credits

Does this mean that fossil resources are to be constricted by 50%?

Not necessarily,

But affected CO₂e sources or plans for development which raise CO₂e issues, should consider plans to work through all resources and creditable conservation measures, and carbon finance tools, which include:

- AFOLU/REDD+ measures;
- renewables;
- innovative mitigation methods based on sound science (e.g. managed conversion);
- Green Climate Fund;
- and others.

Potential options with use of REDD+

Among the many Agriculture, Forestry and Other Land Use (AFOLU) tools



- Develop or direct support for AFOLU measures in-country.
- Purchase at spot or on strip of generated credits (like other enterprises with CSR policy to be carbon-neutral).
- Invest in a pooled vehicle or fund.

Known available supply (just on V-C-S registry)



Project Category	Issued	Active VCUs	Non-Issued Verified Emission Reductions
AFOLU	26,808,031	12,086,085	70,687,935
REDD+	26,786,466	12,064,520	70,687,935

Combining REDD+ Projects for Emerging Economies



- Investment in REDD+ projects in locale of importance for any project.
- Produces a benefit for community development, bio-diversity, and GHGs, while producing a potential commodity.
- Price of REDD+ carbon less than internal corporate cost reserve ranges.

Options for Engagement for "Carbon Neutral"

- Buy REDD+ credits for Corporate Social Responsibility policy
 - Ample supplies, some key diligence questions:
 - REDD+? (so includes community and bio-diversity components?)
 - How much of benefits go to indigenous peoples? (work and education)
 - Does the project have co-benefits of interest?
 - One time purchase?
- For supply chain: source only from sustainable practices (more than carbon zero)
- Agree to buy a part or all of a project offtake
 - Great need and ample choices
 - Is the project consistent with national or sub-national policy (a/k/a “nested REDD+)?)
 - Same diligence as for REDD+ credits, greater attention to ongoing project fundamentals.
 - Greater opportunity to affect and direct governance and results.
 - Greater opportunity to support identified “co-benefits” from project or project type.
- Invest in an existing project or to create a new project?

Summary

- Dentons has been recognized for creative solutions to open private markets into publicly-owned projects, which are under control of government officials.
- Early days of REDD+ done on project specific basis and by entrepreneurs. Shift of policy to national and sub-national consistency and planning stifled those projects.
- There is not enough government capital (or will) to bring projects to implementation. Private capital is necessary. REDD+ and other AFOLU projects are the "cost-effective" way to assure sustainable results.
- Investments in REDD+ projects:
 - can provide substantial returns above the value paid for supporting specific projects;
 - can serve as a "social contract" to "give back"; and
 - may even be a "hedge" with respect to future carbon commodity pricing.

Thank you

DENTONS

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Recognized by Chambers Global, "Best Lawyers in the US" in categories of Climate Change and Environmental and by American Lawyer for Global Pro Bono Deal of the Year (Environmental) and Citizen of the Year (2014).