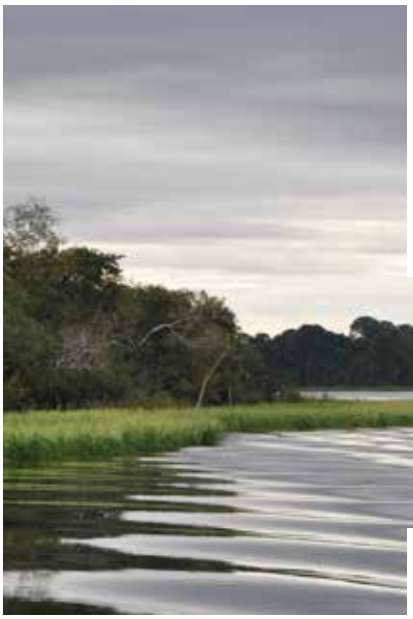

CONTRIBUTIONS TO THE NATIONAL REDD+ STRATEGY: A PROPOSAL FOR ALLOCATION BETWEEN STATES AND THE UNION

2nd Edition Revised & Updated

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GCF task force

IDESAM
Instituto de Conservação e Desenvolvimento Sustentável do Amazonas

Contents

GCF Task Force

The Governors' Climate and Forests Task Force is a platform for collaboration among 26 states and provinces in 7 countries (Brazil, Mexico, Peru, Indonesia, Nigeria, Spain and the United States) that works to protect tropical forests and promote sustainable development through the creation of strategies to establish jurisdictional REDD+ systems and programs through access to various forms of financing. It was created in 2008 after the signing of Memoranda of Understanding (MOUs) by its members seeking to cooperate on themes related to reducing tropical deforestation. In Brazil, the member states of the GCF - Acre, Amapá, Amazonas, Mato Grosso, Pará and Tocantins – have made important advances and some are already in regulatory and implementation phases of their subnational REDD+ systems.

Executive Summary

This document presents contributions by Brazilian GCF member states for the regulation of a policy for Reducing Emissions from Deforestation and Forest Degradation (REDD+) in the Brazilian Amazon. The proposal was developed collaboratively and consensually by representatives of the Brazilian GCF states and based on numerous meetings, studies and prior work developed by the states themselves[1], with assistance from civil society organizations such as the Institute for the Conservation and Sustainable Development of the Amazon (IDESAM)[2], the Amazon Environmental Research Institute (IPAM)[3], Instituto Centro de Vida (ICV)[4] as well as academic articles by researchers like Strassburg[5], Cattaneo[6], among others.

The conceptual proposal is a division of efforts and potential benefits from reduced deforestation between the Federal Government and the states of the Amazon (inclusive of other actors besides the state government). This allocation, if adequately accomplished, can optimize the implementation of actions appropriate to the realities of each state, involving all relevant stakeholders, such as local and state governments, indigenous communities, traditional populations, and rural landowners, among others.

An example system is proposed below for the allocation of "Units of Emissions Reductions from Deforestation and Forest Degradation (U-REDD+)" to the six GCF states in the Amazon (also applicable to other states). This system is based on the logic of "stock-flux," characterized by the distribution of positive incentives to states in regions at the frontiers of deforestation and those with large forest stocks. This is a strategic distribution in order to develop actions that prevent the arrival of deforestation to these regions. The approach is premised on the following:

1. Division of U-REDD+ between the Federal Government and state governments, with 80% to the states of the Amazon and 20% to the Federal Government;

2. Among states of the Amazon, the division should follow the stock-flux methodology, with equal weight to both (50% to stocks and 50% to flux).

The decentralization of regulation and management of REDD+ among federal and state governments will improve the REDD+ fundraising strategy in Brazil and give states more control over their territories. Each state should determine the manner in which to distribute the allocated U-REDD+ according to their realities. The conclusion reached in this study can thus be used as a reference to orient future state REDD+ policies, as well as stimulate discussion with the Federal Government about the priorities of Amazonian states in relation to a National REDD+ System or Strategy.

1 - Contribution by States of the Brazilian Amazon to the National REDD+ Strategy. Document in appendix.

2 - Cenamo, M.C., et al. State REDD+ System in Amazonas: Challenges, Opportunities and Recommendations. Institute for the Conservation and Sustainable Development of the Amazon – IDESAM, Manaus, AM, 52p. 2013.

3 - Moutinho, P. Emissions Reduction from Deforestation and Forest Degradation (REDD+): Building the Foundations of the Green Economy in Brazil. Mato Grosso on the Road to Low Emissions Development: Costs and Benefits of Implementation of the State REDD+ System. IPAM, Brasilia, D.F., 2012.

4 - Informal contributions during the development of this document

5 - Strassburg, B., K. Turner, B. Fisher, R. Schaeffer, and A. Lovett. 2008. An Empirically-Derived Mechanism of Combined Incentives to Reduce Emissions from Deforestation.î, CSERGE Working Paper ECM 08-01, Centre for Social and Economic Research on the Global Environment, University of East Anglia, Norwich, UK.

6 - Cattaneo, A. 2009. A "Stock-flow-with targets" Mechanism for Distributing Incentives Payments to Reduce Emissions from Deforestation. The Woods Hole Research Center – Immediate Release – December 2009. http://www.whrc.org/policy/pdf/cop15/Stock-flow_with_targets_COP.pdf

1. Context

Global warming is considered one of the greatest threats facing humanity in the coming decades. The average temperature on the earth's surface has increased 0.7°C, caused by the increased atmospheric concentrations of greenhouse gasses (GHG),[7] which have almost doubled since the beginning of the industrial revolution. It is currently known that the loss of forests to deforestation is responsible for 20% of global emissions[8], making forest conservation one of the most effective and highest cost-benefit options for the mitigation of climate change[9].

In Brazil the land and forest use sector, and in particular deforestation in the Amazon, have always been the primary sources of national emissions of GHG[10]. An understanding of the causes and origins of deforestation is crucial to identify and build appropriate strategies to change land use tendencies and benefit traditional populations and indigenous peoples who depend on the forest for their survival. In the last years, the Climate Convention[11] recognized the need for a mechanism that compensates efforts to reduce emissions in the forest sector through a mechanism known as "Reducing Emissions from Deforestation and Forest Degradation" (REDD+),[12] which will be a part of the global climate protection regime under negotiations for the post-2020 period.

However, REDD+ still has various gaps and uncertainties that complicate its implementation, such as: existence and sources of financing, scales of implementation and accounting, roles of governments and local communities, distribution of benefits and other methodological issues.

The urgency to reduce deforestation and the absence of REDD+ regulations at the UNFCCC has incentivized the surge of internal and subnational options for the implementation of REDD+, whether through projects directed to the voluntary carbon markets, through state and provincial REDD+ programs, or integrated forms of both. In some countries – such as Brazil – efforts to reduce emissions have been undertaken at a scale never before seen in history.

It is estimated that Brazil **voluntarily reduced nearly 3.5 billion tons of CO_2 between 2006 and 2012 with the decline of deforestation in the Amazon. This achievement surpasses reductions in any other country, developed or under development, with or without mandatory targets.** Achieving these reductions is expensive and, currently, these costs are being paid by state and federal governments, rural producers, traditional communities and indigenous peoples. It is unacceptable that the country, and primarily the Amazon Region, with its countless economic and socio-environmental problems, not be compensated for its efforts to support the climate and the global environment. But, unfortunately, that is what has been happening.

Seeking to guarantee socio-environmental safeguards, increase the attractiveness of investments and reduce regulatory risks, countries such as Brazil, Indonesia, Mexico, Peru, Ghana, Chile, Tanzania and Congo – and many of their subnational jurisdictions such as Amazonas, Acre, Mato Grosso, Madre de Dios, Chiapas, Kalimantan Central, among others – initiated the development of their own REDD+ legislation.

7 - Greenhouse gasses (GHG), when accumulated in the atmosphere, impede the release of solar radiation, causing global warming. The primary GHG are: Carbon dioxide (CO_2) – emitted by the burning of fossil fuels and deforestation; Methane gas (CH_4) – emitted by the decomposition of plant and animal waste in landfills and by rumination (process of digestion) in cattle herds; and Nitrous Oxide (N_2O)- resulting primarily from agricultural processes.

8 - IPCC, 2007a.

9 - Stern et al., 2006.

10 - MCT, 2009.

11 - United Nations Framework Convention on Climate Change – UNFCCC.

12 - While REDD refers to the "Reducing Emissions from Deforestation and Forest Degradation," the "+" refers to the concepts of "conservation", "sustainable forest management" and "increase of carbon stocks".

1.1 REDD+ in Brazil

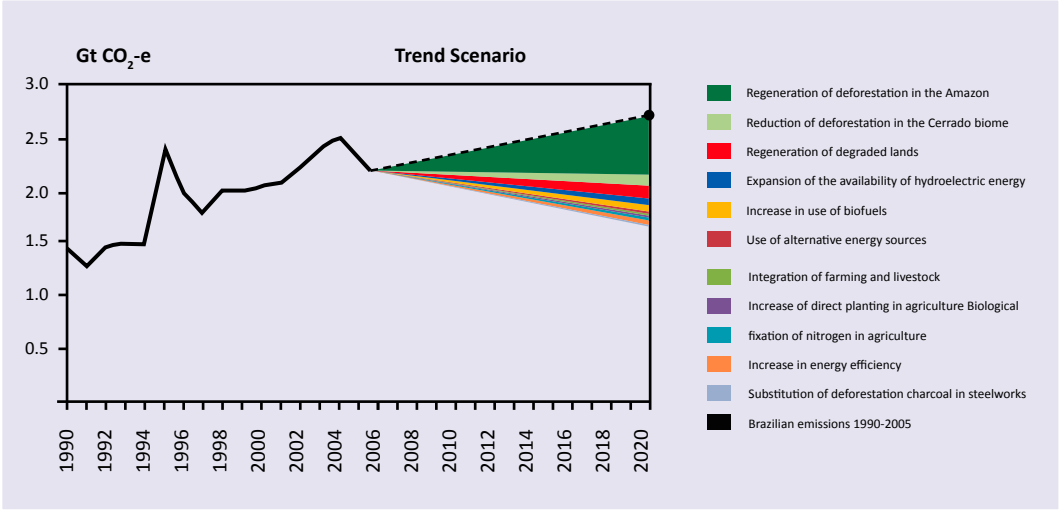
Brazil has important plans and policies related to climate change and reducing deforestation, but still needs legislation specific to the regulation of REDD+ at the national level. While the National Climate Change Policy[13] (PNMC), the National Plan on Climate Change[14] and the Plan for the Prevention and Control of Deforestation in the Legal Amazon[15] (PPCDAM) are a reality, the implementation of a National REDD+ System (SisREDD+) still awaits the advancement of two legislative proposals: Law Projects 195/2011[16] and 212/2011[17].

The National Plan on Climate Change is currently the most relevant climate policy at the national level, as it establishes voluntary national reduction targets of 38% of emissions and covers all productive sectors, lining out actions and policies to guarantee this commitment. A large part of the emissions foreseen in the PNMC are based on emissions reductions of 80% from deforestation in the Amazon,[18] which represents approximately 55% of the national goal.

Decree 7390/2010, which regulates articles 6, 11 and 12 of the PNMC, foresees the implementation of sectoral programs to meet the voluntary emissions reduction goals. This decree uses the total emissions projections for 2020 of 3.236 million tons CO_2 eq predicted in the PNMC and, based on this total, details emissions projections for each sector of the economy. Emissions projections for the land use sector are 1,404 million tCO_2 eq/year, while projections for the energy sector are of 868 million tCO_2 eq/year, agriculture is 730 million tCO_2 eq/year and the manufacturing and waste management sectors are 234 million tCO_2 eq/year.

However, it is worth noting that Decree 7390 uses different methodologies for projections of emissions reference levels or "baselines" for each sector and, most importantly, establishes different reduction targets for each. Thus, each sector of the economy will have a different level of contribution toward the national targets. It is worth stressing that emissions projections foreseen in the PNMC for 2020 are based on the 2005 national inventory, and do not consider the mitigation actions foreseen in the Decree. These actions are described in Figure 1.

Figure 1. Emissions mitigation actions to 2020



Taking into consideration mitigation actions, the increase in emissions can be estimated according to **Table 1**.

Table 1. Greenhouse gas emissions projections by sector to 2020

Sectors from National Inventory	Emissions in 2005[19]	Emissions Projection 2020[20]	Participation in Reduction in 2020 (%)	Increase predicted by 2020 (%)
	(millions of tons CO_2-e)			
Land Use and Forests Change	**1,329**	**1,404**	**43**	**5**
Energy	**329**	**868**	**27**	**62**
Agriculture	**416**	**730**	**23**	**43**
Industrial Processes	**119**	**234**	**7**	**49**
Total	2,193	3,236	100	159

It is worth pointing out that the land use and forestry sector and primarily **the actions to reduce deforestation in the Amazon are the main vectors for emissions reduction in the PNMC, responsible for the achievement of 55% of the national greenhouse gas reduction target. Furthermore, it can be seen that the only sector that is proposing to reduce emissions in absolute terms by 2020 is land use and forestry.** In other words, reductions in the energy, agriculture, manufacturing and waste management sectors were designed to take into account an exponential increase in emissions, therefore, even when achieving their "projected reduction targets," they will generate a significant increase in greenhouse gas emissions by 2020. This scenario can be verified for each sector in the report released by MCTI in 2013[21] (Figures 2 and 5).

Figure 2. Greenhouse gas emissions projections in the land use and forestry sector in Decree 7390/2010. Source: Adapted from MCTI, 2013.

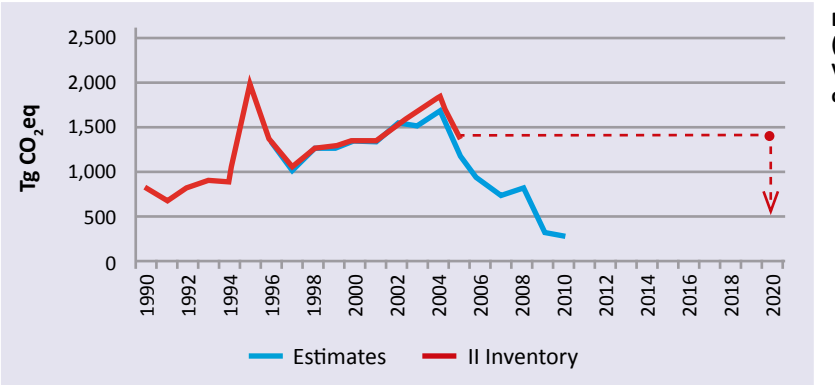


Figure 3. Greenhouse gas emissions projections for the energy sector in Decree 7390/2012. Source: Adapted from MCTI, 2013.

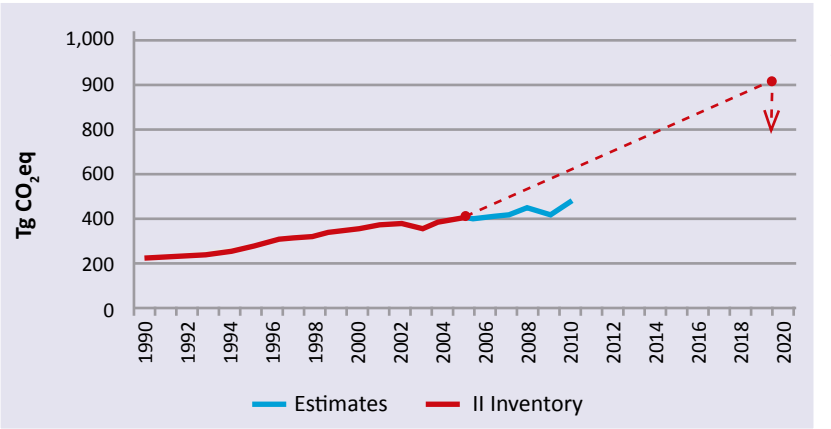


Figure 4. Greenhouse gas emissions projections for the agriculture sectors in Decree 7390/2012. Source: Adapted from MCTI, 2013.

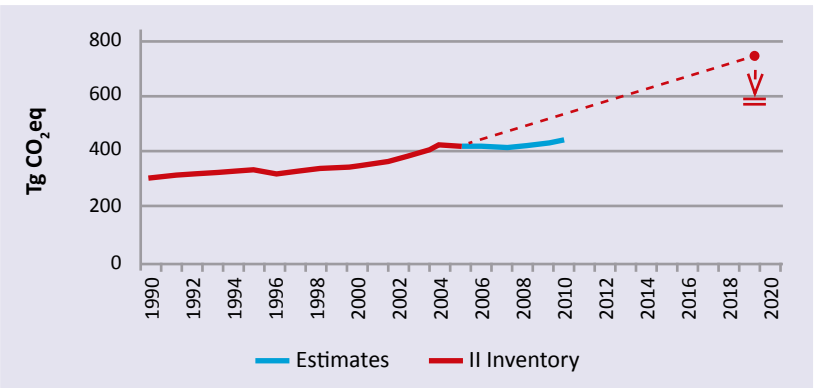
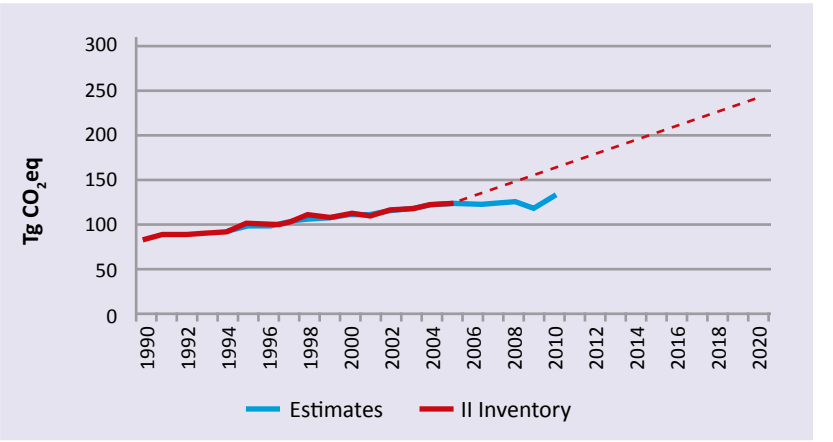


Figure 5. Greenhouse gas emissions projections for the manufacturing and waste management sectors in Decree 7390/2012. Source: Adapted from MCTI, 2013.



The states understand that it is not just or equitable that the states of the Amazon, which certainly face the largest challenges to socio-economic and environmental development in the country, pay the largest part of the bill for GHG reductions in Brazil. It is essential that an agreement be reached with the states of the South, Southwest and Southeast as well as with the other sectors responsible for the increase in GHG emissions so that they mitigate their increases in emissions, paying for the conservation of forests in the Amazon through a domestic REDD+ mechanism.

The reduction of deforestation in the Amazon, besides offering an excellent, cost-effective option to achieve the PNMC targets, provides social and environmental benefits such as the conservation of biodiversity, sustainable production, and preservation of water resources and rainfall patterns. This mechanism is foreseen in the PNMC and should create the foundations for the development of a Brazilian Emissions Reduction Market.

In order for deforestation in the Amazon to continue at low rates, increased financial support to the states is imperative, as they have allocated their own time and resources to the protection of the Amazon, acting as the primary responsible parties for the achievement of national targets, and should be compensated for their efforts.

Another relevant initiative is the proposal for the development of a National REDD+ Strategy, led by the Ministry of Environment (MMA). This strategy addresses the directives established in 2011 by the UNFCCC, seeking to regulate REDD+ at the international level. Many discussions were held in 2010[22] to develop the ENREDD+, however, as example of what happens with the Law Projects195/2011 and 212/2011 in the Legislature, the development of ENREDD+ has stagnated (in the Executive) for a long time, since 2012. In November 2014, MMA announced that the text is now waiting for approval by the Chief of Staff Office. This text, however, have not been disclosed to the society.

In this context, the absence of national legislation has led the states of the Brazilian Amazon to develop their own state REDD+ laws. In Acre, Law 2308/2010 created the State System of Incentives for Environmental Services (SISA), a pioneer in Brazil. In Mato Grosso, the State REDD+ System was approved in 2013 with Law 9878. Both have allowed for the creation of REDD+ programs in these states. Other states such as Rondônia, Amapá and Amazonas (which began the development of its state law in 2012), are also in the process of developing their regulations through public consultations and needs assessments, among other activities.

13 - Law 12187, 12/29/2009. Available at http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2009/lei/l12187.htm

14 - Federal Decree 6263, 11/21/2007. Available at http://www.planalto.gov.br/ccivil_03/_Ato2007-2010/2007/Decreto/D6263.htm

15 - Available at http://www.casacivil.gov.br/.arquivos/pasta.2010-08-02.3288787907/ppcdam_Parte1.pdf

16 - Available at http://www.camara.gov.br/proposicoesWeb/fichadetramitacao?idProposicao=491311

17 - Available at http://www.senado.gov.br/atividade/materia/detalhes.asp?p_cod_mate=100082

18 – The Action Plan for the Prevention and Control of Deforestation in the Cerrado (PPCerrado) establishes a goal of 40% reduction in deforestation in this biome by 2020.

19 - Source: Brazilian Inventory of Anthropogenic Greenhouse Gas Emissions by source and Removal by Sinks not Controlled by the Kyoto Protocol of Montreal (Second National Communication of Brazil to the UNFCCC – Brazil, 2010)

20 - Decree 7390/2010

21 - Annual estimate of greenhouse gas emissions in Brazil. Ministry of Science, Technology and Innovation, 2013.

22 - Brazil/Ministry of Environment (MMA). "REDD+: Synthesis document with input from multiple actors in preparation for a National Strategy". Report published online in 2011. Available at http://www. observatoriodoredd.org.br/site/pdf/Estrategia_Nacional_redd_mma.pdf

2. Potential for generating emissions reductions through REDD+

Between 2006 and 2012, Brazil voluntarily reduced nearly 3.5 billion tons of CO2 through the decline in deforestation in the Amazon. This achievement surpasses all other reductions, be they from developed or developing countries, with or without mandatory targets. In order to slow these deforestation rates, a high level of investment is required for actions that reduce pressures on these areas.

Currently, the country does not have sufficient financial resources to deal with the vectors and agents that threaten forest conservation in the Brazilian Amazon. **Up to 2012, 3,544 $MtCO_2$ (Figure 2) were reduced, of which Brazil was only able to secure financial incentives for just over 206.5 $MtCO_2$ (or 5.8% of the total reductions achieved).** This sum (approximately $157 million) was made possible by the Amazon Fund and bilateral agreements with the Government of Norway, the Federal Republic of Germany – KfW, and Petrobras[23].

To estimate the "REDD+ potential" of the Brazilian Amazon up to 2020, the reference scenario established by Decree 7390 and the goals foreseen in the National Plan on Climate Change were used, as shown in **Figure 6**.

Figure 6. Potential emissions reductions through fulfillment of deforestation reduction targets in the Amazon between 2006-2020, as defined in the National Plan on Climate Change

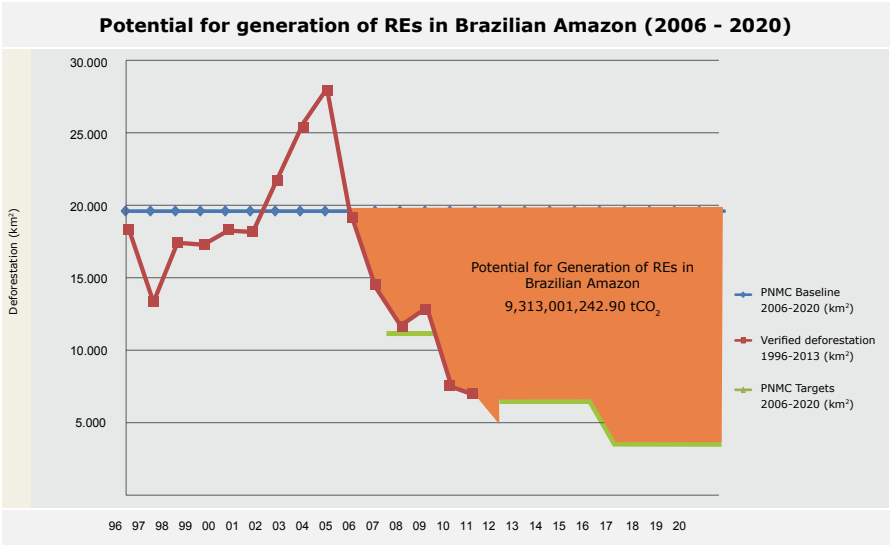
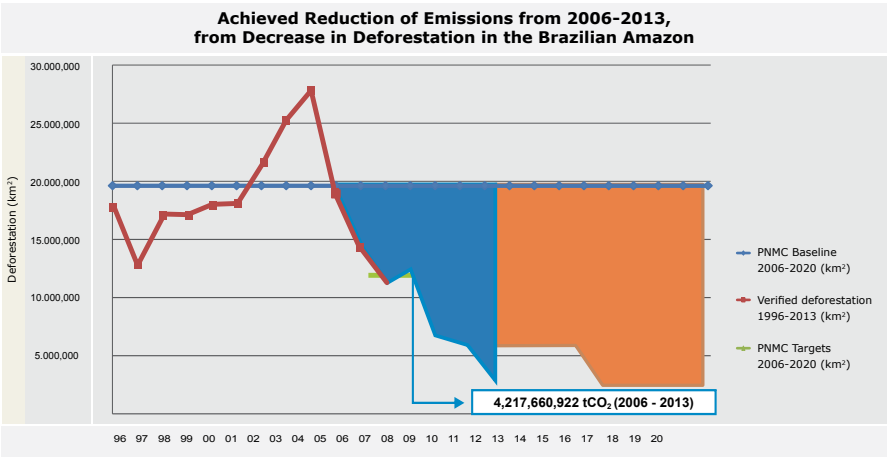


Figure 7. Amount of emissions reductions through the decline in deforestation in the Amazon from 2006 to 2013.



This document presents a proposal from the GCF member states in Brazil for the division of credits or titles generated by emissions reductions from deforestation, here referred to as REDD+ Units (U-REDD+[24]), based on the expected potential of REDD+ to 2020. This division would occur among diverse stakeholders involved in the process of reducing deforestation, namely governmental or non-governmental entities, rural producers or indigenous populations and traditional peoples. The states believe that regulation and decentralization of REDD+ management between the Federal Government and states would improve the REDD+ fundraising strategy in Brazil.

The division of U-REDD+ proposed would direct 20% to the Federal Government and 80% to the States[25]. These numbers have not been officially adopted, but are presented in this document as a reference, able to be changed in the future. It is important to stress that the division of U-REDD+ to the states does not signify a "pass-through" or use right to the state governments. It is understood as a fundamental premise that each state should establish a specific regulation (per example the states o Acre and Mato Grosso) that determines how REDD+ should be managed at the state level and how its potential benefits would be divided among all relevant stakeholders, such as traditional and indigenous populations, rural producers, municipalities, residents of conservation units, etc.

23 - www.fundoamazonia.gov.br

24 - Unit of Reduction of Emission from Deforestation and Forest Degradation (U-REDD+). 1 U-REDD+ is the equivalent of 1 tCO_2-e. U-REDD+ should be allocated among all stakeholders that contribute to the reduction of deforestation in the Brazilian Amazon.

25 - Contributing document by the states of the Legal Amazon to the National REDD+ Strategy.

3. Methodology of the stock and flux mechanism for allocation of U-REDD+ between states

The establishment of a proposal for division of U-REDD+ among Amazonian states is a challenge, as each state has different characteristics and contributions in the process of reducing deforestation in the Amazon. Nevertheless, the proposal in this document represents a consensus reached through many meetings over the last three years among the six GCF member states (Acre, Amazonas, Amapá, Mato Grosso, Pará and Tocantins) on how this division should be established in order to attend to their primary demands and priorities.

The methodology for allocation is based on the concept of "stock-flux[26]", which allows for a balanced distribution of U--REDD+ among the Amazonian states. This approach determines the allocation of "reference levels" and "reduction targets", balancing the important distinction between historic deforestation pressures (flux) and remaining forest carbon stocks in each one. The definition of strategies for division or "internal allocation" of REDD+ (among state and municipal programs and projects, when appropriate) should be subject to specific regulation by each state, respecting socio-environmental safeguards[27] and built through a process of participation with the local society.

The concept of stock-flux intends, therefore, to allocate emissions reductions based on two parameters:

a. Flux: Contribution of each state to the reduction of deforestation (based on its historic rates of deforestation) relative to the reduction of deforestation verified for the entire Amazon biome.

b. Estock: Quantity of carbon stored in the forested area of the state in relation to the forested area of the whole Amazon biome.

In order to project the desired reductions of deforestation in the States by 2020 according to the targets of the PNMC, each state's baseline was used (utilizing the historic average of deforestation between 1996 and 2005) subtracting future targets for reduced deforestation, also according to the PNMC.

Allocations based on these two factors allows for a fair and equitable distribution of benefits expected from the REDD+ mechanism, benefitting the union and states according to their particular situations and maximizing the chances of achieving the national emissions reduction target, besides decreasing the risk of leakage between the states by the migration of agents and drivers of deforestation looking for new areas with large remaining stocks.

The stock and flux methodology used the following parameters to calculate allocations of the potential emissions reductions among the states:

Table 2. Division of stock and flux for each state of the Brazilian Amazon, referent to 2013.

State	Estock (km^2)	Estock (%)	Reduction of Deforestation (km^2)	% of national reduction	U-REDD+ (%)	U-REDD+ (tCO_2)
	Forested area of states in 2013 (PRODES)	Forested area of states in relation to Brazilian Amazon	Historical deforestation – verified deforestation (PRODES)	Reduction of deforestation in relation to reduction of deforestation in Brazilian Amazon	Allocation based on stock-flux mechanism, considering 50% to stocks and 50% to fluxes	
Acre	148,700.00	4.6%	380.52	2.8%	3.7%	19,658,819.74
Amazonas	1,452,267.00	45.0%	286.82	2.1%	23.5%	125,518,077.71
Amapá	110,266.00	3.4%	17.59	0.1%	1.8%	9,448,935.98
Maranhão	40,127.00	1.2%	546.00	4.0%	2.6%	13,898,259.88
Mato Grosso	312,691.00	9.7%	6,518.13	47.4%	28.5%	152,176,765.82
Pará	876,635.00	27.1%	3,908.60	28.4%	27.8%	148,175,572.77
Rondônia	125,926.00	3.9%	1,843.32	13.4%	8.6%	46,132,840.74
Roraima	152,469.00	4.7%	70.64	0.5%	2.6%	13,963,380.47
Tocantins	9,803.00	0.3%	187.49	1.4%	0.8%	4,444,055.11
Total	3,228,884.00	100%	13,759.10	100%	100%	

This proposal suggests that the REDD+ System in Brazil should divide the achieved emission reductions from reduced deforestation in the Amazon biome between 2006-2020 between states and the union (different than the national baseline, calculated based on the average deforestation between 1996-2005, and deforestation reduction targets defined in the PNMC – according to Figure 6). After this split, the stock-flux methodology is applied for the portions to each state.

Figure 8. Diagram for division of national emissions reductions between Federal Government and states of the Amazon.

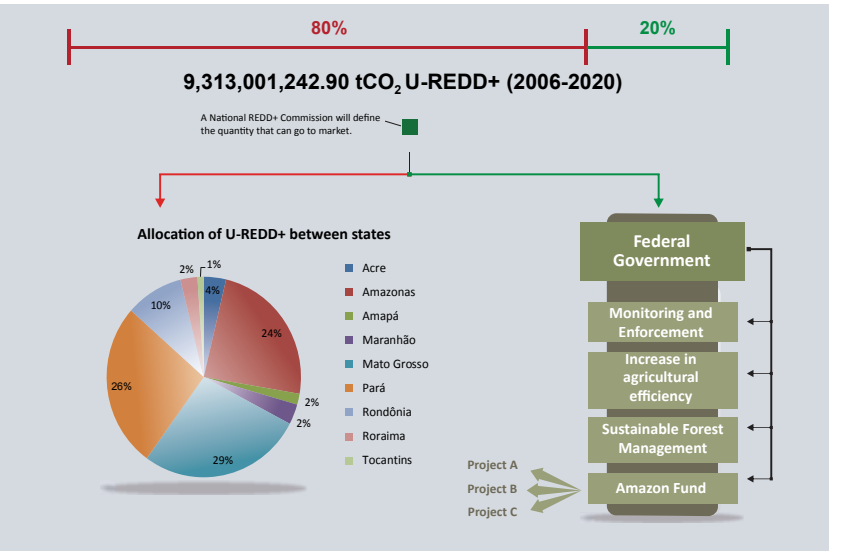


Table 3. Estimate of allocation to Federal Government and Amazonian states per credit period (in tons of CO_2).

Jurisdiction	Crediting Periods			Total (tCO_2)
	2006-2010	2011-2015	2016-2020	
Federal Government	435,310,271.27	660,599,309.46	766,690,667.85	1,862,600,248.58
Acre	74,210,999.55	95,705,468.09	117,772,239.85	287,688,707.49
Amazonas	417,889,487.46	636,174,933.14	762,394,289.38	1,816,458,709.98
Amapá	26,015,080.97	45,375,268.23	54,822,110.50	126,212,459.71
Maranhão	19,786,632.70	75,518,714.54	92,739,133.88	188,044,481.12
Mato Grosso	590,881,774.71	711,877,068.39	742,975,569.14	2,045,734,412.24
Pará	363,251,825.70	746,179,638.17	904,176,666.33	2,013,608,130.19
Rondônia	193,257,481.56	234,655,922.67	275,317,027.58	703,230,431.82
Roraima	35,701,734.09	74,172,896.11	91,612,062.28	201,486,692.47
Tocantins	20,246,068.35	22,737,328.50	24,953,572.44	67,936,969.30

26 - Adaptated from IPAM, 2011

27 - More information can be obtained in the document, "Developing REDD+ Socio-enviromental Safeguards". Available at http://www.imaflora.org/downloads/biblioteca/guiaREDD_portugues_digital2.pdf

4. Estimates for allocation of Reduction Units (U-REDD+) in GCF member states

This proposal arose from biannual technical meetings of representatives from GCF member states, at which the challenges, alternatives and possibilities of alternatives are discussed for implementation of REDD+ tools and low emission rural development in their territories. It reflects a concern with positively incentivizing emission reductions from deforestation (flux) as well as the carbon stocks found in remaining forests (stock).

It seeks to strengthen preventions against leakage and other types of threats to the state's forest cover. Thus, the amount of U-REDD+ destined to each GCF state was obtained by the application of the "stock--flux" mechanism, considering historic deforestation rates and forest cover.

4.1 Acre

With an area of 164,221 km^2 and 148,700 km^2 in forests, Acre is one of the most advanced states in jurisdictional REDD+ and environmental services policies in the world. In 2010, the state passed Law 2308/2010 creating the State System of Incentives for Environmental Services (SISA), with a focus on REDD+ activities.

The primary forest types in Acre are dense tropical forests and bamboo forests with a high degree of endemism and biological relevance. Of the total area of the state, 48% is legally protected as Indigenous Lands (16% of the territory, with a population of 12,720 and 15 ethnicities) or Protected Areas (covering 32% of the territory).

Deforestation in the state of Acre affects approximately 13% of its area. The primary factors are infrastructure projects, primarily roads like BR-317 and BR-364, currently in a process of paving, as well as commodities markets for meat, which represents 80% of deforested areas. One important characteristic of deforestation in the state is fragmentation, with deforested areas smaller than 6 hectares comprising 95% of deforested areas (data from 2010 and 2011). Land settlement projects and private properties larger than 100 hectares are responsible for more than 70% of deforested areas each year.

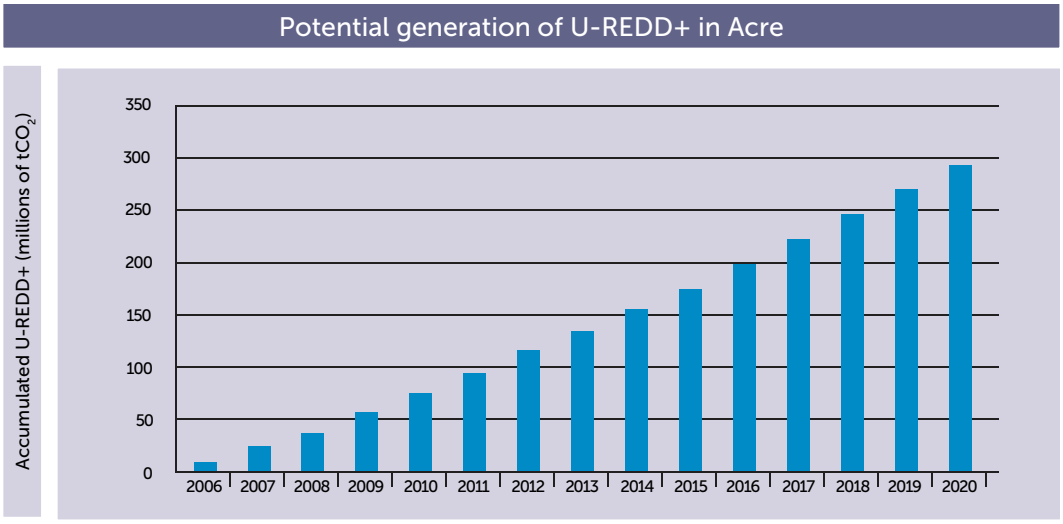
The state of Acre recognizes REDD+ mechanisms and other types of incentives

for environmental services as part of a larger suite of policy instruments in support of sustainable development. Acre's actions toward monitoring and measurement of emissions from deforestation, the application of environmental laws and implementation of incentive programs for sustainable development put the state far ahead of the curve in terms of REDD+ preparedness.

The State has already achieved a substantial reduction in deforestation through its Ecological and Economic Zoning Plan, its Policy for Valuation of Environmental Assets, its Plan for Prevention and Control of Deforestation, and its investment in monitoring and measurement of deforestation. It is apt to provide high quality emissions reductions, conforming to standards of national and international buyers. The investment in carbon can, as part of the larger suite of sustainable development initiatives in the state, help to guarantee the continued development of a low carbon economy with high social inclusion.

Using the stock-flux methodology, the potential allocations to the State of Acre (between 2006-2020) are 287,688,707.49 tCO_2 (Figure 9)

Figure 9. Potential for generation of U-REDD+ in Acre, using the selected methodology.



Summary table: Acre				
State Area	Forested Area (2013)*	Forests in relation to Amazon (2013)	Historic average of deforestation (1996-2005)	U-REDD+ potential (2006-2020)
164,221 km^2	148,700 km^2	4.6 %	601.5 km^2/year	287,688,707.49 tCO_2

*Source: IDESAM (analysis based on PRODES - 2014 data)

4.2 Amapá

Amapá is the Brazilian state with the largest percentage of its territory under some type of protection: nearly 73% of its area is within Strictly Protected or Sustainable Use Conservation Units or Indigenous Lands. It is a state with great environmental heterogeneity, with pockets of cerrado (savannah), wetlands (pioneer formations), mangroves, alluvial várzea forests and upland forests (dense and open humid forests). Forest activities in the state of Amapá play an important part in its economy, for forest products as well as non-forest products- such as Açaí, Brazil nut, titíca vine and forest plantations.

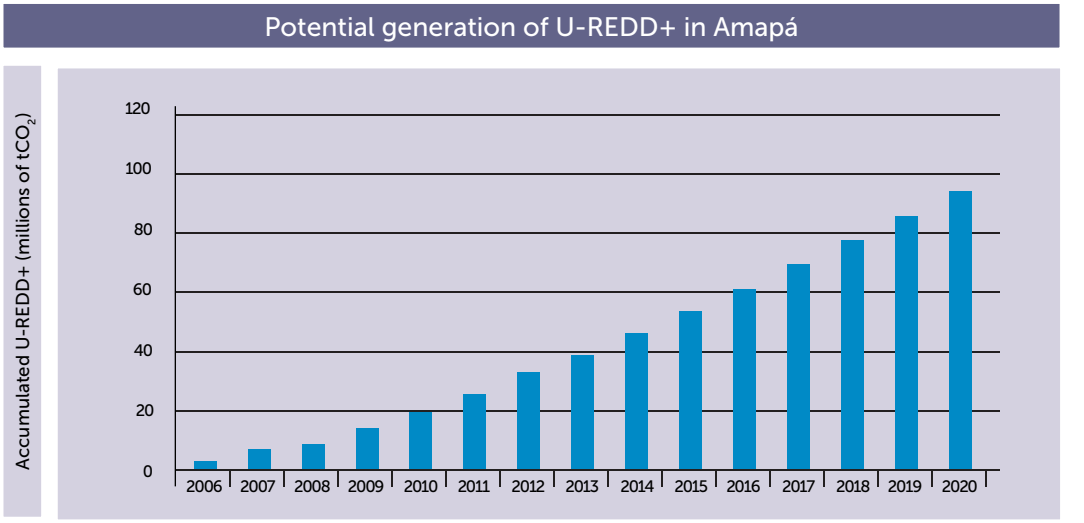
With the lowest rate of deforestation in the Brazilian Amazon, 97.8% of tropical forests in the state are conserved. It has a great potential for the sustainable use of forest resources and its biodiversity, and has advanced in the undertaking of scientific studies and research applied to the improvement of its forests. One example of this is the advanced status of its carbon inventory, developed by the State Forestry Institute of Amapá (IEF--AP) in partnership with the National Institute of Amazonian Research (INPA) and the Brazilian Agriculture and Livestock Research Agency (EMBRAPA).

The results of this partnership will permit the mapping of carbon stocks using field data and allometric equations specific to the region.

In the last years, pressure on forested areas of the state has increased primarily due to the paving of BR-156, the implementation of settlements by the Federal Government and the construction of a transnational bridge – linking Oiapoque, in the extreme north of the state, with Saint George in French Guyana. These projects will increase the transit of people and machines through forested areas and could cause a drastic increase in deforestation in a state that has worked intensely for the development of its regulatory framework for REDD+ and environmental services.

Using the stock-flux methodology, the potential allocations to the State of Amapá (between 2006-2020) are 126,212,459.71 tCO_2 (Figure 10).

Figure 10. Potential for generation of U-REDD+ in Amapá using the selected methodology.



Summary table: Amapá				
State Area	Forested Area (2013)*	Forests in relation to Amazon (2013)	Historic average of defo-restation (1996-2005)	U-REDD+ potential (2006-2020)
143,453 km^2	110,266.00 km^2	3.4 %	26.50 km^2/year	126,212,459.71 tCO_2

*Source: IDESAM (analysis based on PRODES - 2014 data)

4.3 Amazonas

Amazonas is the largest state in Brazil, with an area of more than 1.5 million km^2, of which 54% are protected areas. It still has 97% of its forest cover conserved, representing the largest tropical forest carbon stock in the world. The state is also home to 66 indigenous groups and thousands of species of flora and fauna, many of which are still unknown by science.

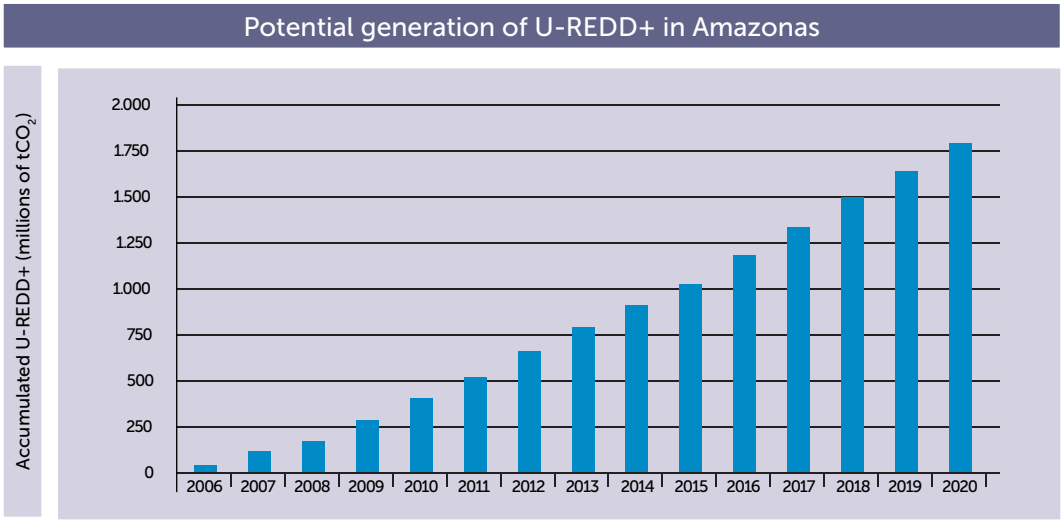
The state was one of the pioneers in the establishment of state policies related to climate change and in the design of positive incentives for forest conservation. In 2007, Amazonas established its State Policy on Climate Change (PEMC), sanctioned by Law nº. 3,135/2007, and Complementary Law nº. 53/2007, which established the State System of Conservation Units (SEUC).

It soon followed with its State Plan for the Prevention and Control of Deforestation (PPCDAm), which involved various secretariats and a collaborative approach to define ways to reduce deforestation while creating new economic alternatives. Combined, these policies help the state to reduce deforestation from activities like land grabbing, illegal logging, and soy and livestock cultivation, which went from an average of 886 km^2 (1994-2006) to 474 km^2 in 2010.

The state is currently waiting for the approval by the governor of the State Policy for Environmental Services, which was discussed in the scope of the Amazon Climate Change Forum with the participation of civil society. The policy would establish an economic and operational mechanism for valuation of forests and bring incentives to actors that help to preserve the natural resources of Amazonas. One REDD+ project will be developed within the scope of the law, which will support efforts to reduce deforestation and conserve forests, benefitting communities and biodiversity, while conserving forest carbon stocks.

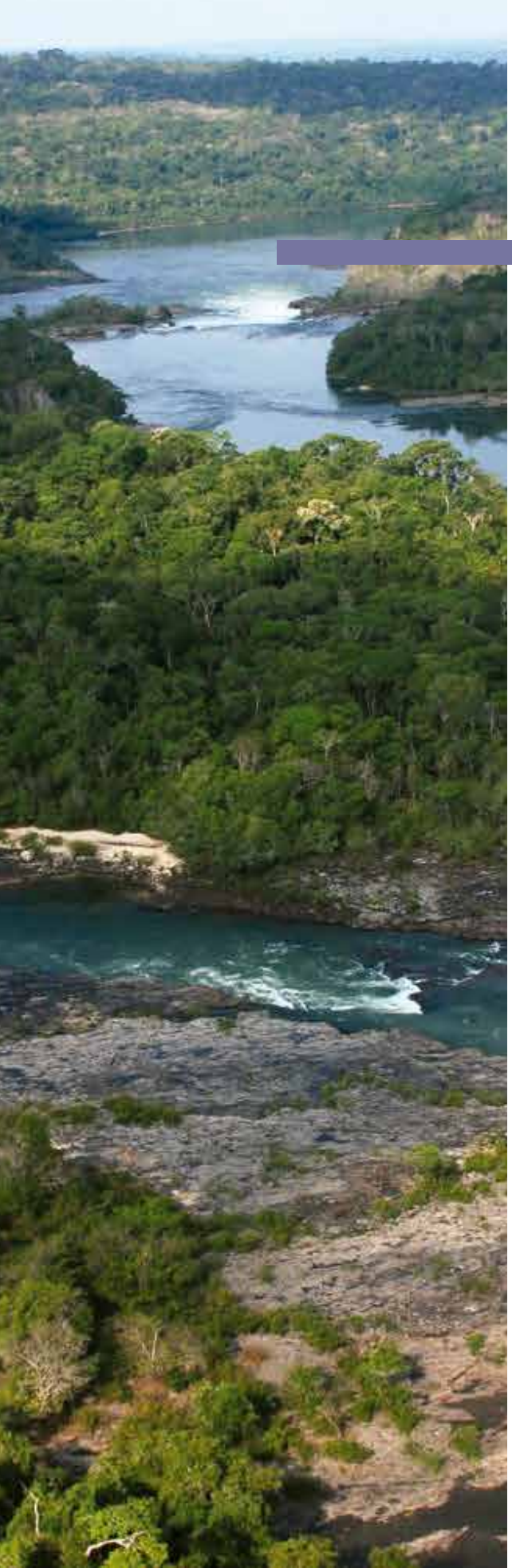
Using the stock-flux methodology, the potential allocations to the State of Amazonas (between 2006-2020) are 1,816,458,709.98 tCO_2 (Figure 11).

Figure 11. Potential for generation of U-REDD+ in Amazonas using the selected methodology.



Summary table: Amazonas				
State Area	Forested Area (2013)*	Forests in relation to Amazon (2013)	Historic average of deforestation (1996-2005)	U-REDD+ potential (2006-2020)
1,559,161.68 km^2	1,452,267 km^2	45 %	869.82 km^2/year	1,816,458,709.98 tCO_2

*Source: IDESAM (analysis based on PRODES - 2014 data)



4.4 Mato Grosso

The state of Mato Grosso has an area of 903,357 km^2, with 60% in remaining forests and a considerable amount of protected areas. In all it has 70 Indigenous Lands, 23 Federal Conservation Units (UCs), 45 state UCs, 39 municipal UCs, two quilombos, as well as 20 Private Natural Heritage Reserve (RPPN), totaling 191 thousand hectares under protection.

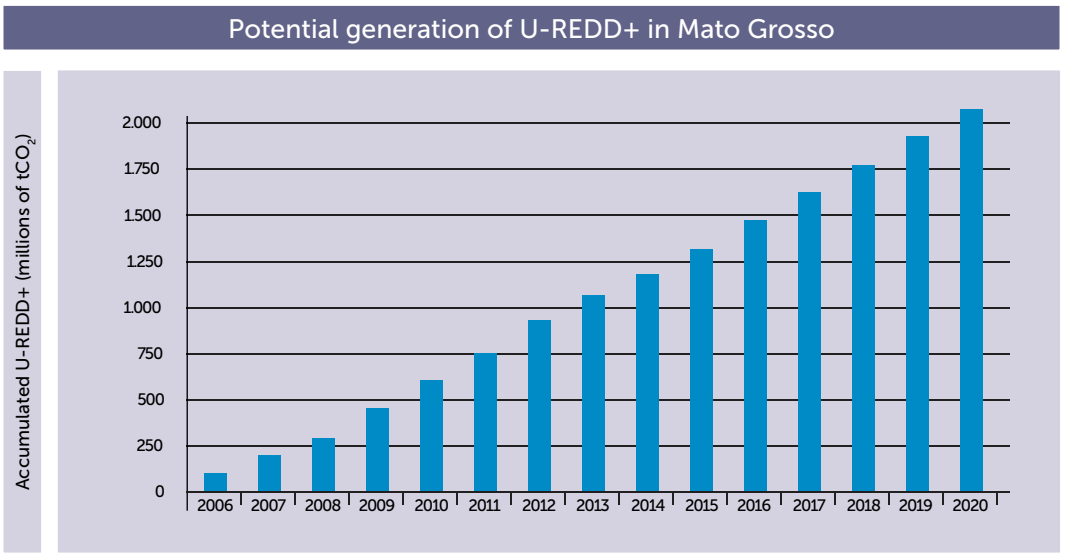
This is the state with the highest historic rate of deforestation in the Brazilian Amazon, but also the one with the largest reduction in deforestation in recent years, due to the creation of public policies to improve forest governance. Examples of some of the state actions implemented are a system of environmental licensing of rural properties and the Rural Environmental Registry (CAR), besides the State Environmental Code, the State System for Conservation Units, the Forest Policy, the State Policy for Water Resources and the State Policy on Solid Waste. The adoption of these actions and policies made possible the reduction of deforestation rates with a simultaneous increase in agricultural production.

Recently the state sanctioned Law 9878/2013, which creates the State REDD+ System, which has the objective of consolidating the deforestation reduction strategy by valuing its forests and implementing a low carbon agricultural model.

The law was created in the guise of the Mato Grosso Climate Change Forum-FMMC, with open participation by diverse public and private institutes and civil society.

Using the stock-flux methodology, Mato Grosso is the Brazilian state to receive the largest parcel of U-REDD+, with a total of 2,045,734,412.24 tCO_2 (Figure 12).

Figure 12. Potential for generation of U-REDD+ in Mato Grosso using the selected methodology.



Summary table: Mato Grosso				
State Area	Forested Area (2013)*	Forests in relation to Amazon (2013)	Historic average of defo-restation (1996-2005)	U-REDD+ potential (2006-2020)
903,357 km^2	312,691 km^2	9.7 %	7,657.13 km^2/year	2,045,734,412.24 tCO_2

*Source: IDESAM (analysis based on PRODES - 2014 data)

4.5 Pará

Pará is the second largest Brazilian state, with an area of approximately 1,200,000 Km^2, of which 71% are covered in forest. Though it has the highest deforestation rates in the Amazon region, since 2005 the pace of deforestation has shown considerable decreases.

With the goal of containing the fast pace of advances on natural resources, the state currently possesses 87 Conservation Units, which comprise 33% of its entire territory.

Despite not having specific legislation for climate change or mechanisms to reduce emissions, Pará has two major legal tools aimed in this direction: The State Plan for Deforestation Prevention, Control and Alternatives – PPCAD/PA, created in 2009, and the Green Municipalities Program, launched in 2011.

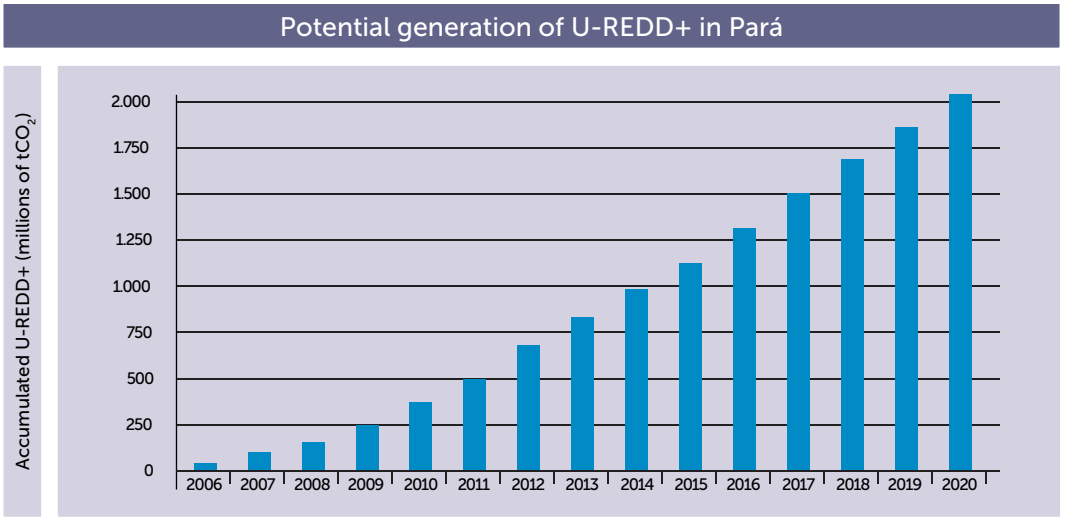
The PPCAD/PA is a suite of 55 actions that seeks to guarantee the effective reduction of deforestation through land and environmental titling, promotion of sustainable activities and monitoring and control. The plan addresses, within the context of climate change, the creation and implementation of a State Program of Payment for Environmental Services, the formation of partnerships for the support of REDD+ and MDL pro-

jects and the establishment of parameters for the certification of REDD+ projects underway in the state.

In this context, it is worth highlighting that the Para Climate Change Forum seeks to define legal benchmarks for climate change, environmental services and REDD+ in the state through the participation of government agencies, non-governmental organizations and representatives from civil society.

Using the stock-flux methodology the potential allocations to the State of Pará (between 2006-2020) are 2,013,608,130.19 tCO_2 (Figure 13).

Figure 13. Potential for generation of U-REDD+ in Pará using the selected methodology.



Summary table: Pará				
State Area	Forested Area (2013)*	Forests in relation to Amazon (2013)	Historic average of deforestation (1996-2005)	U-REDD+ potential (2006-2020)
1,248,042.51 km^2	876,635 km^2	27.1 %	6,254.60 km^2/year	2,013,608,130.19 tCO_2

*Source: IDESAM (analysis based on PRODES - 2014 data)

4.6 Tocantins

Created in 1988, it is the most recent of the 27 federal states, and has an area of 277,620 km^2, of which 252,799 km^2 are in the Cerrado biome and 24,821 km^2 in the Amazonian biome.

Among the instruments for the conservation of nature of note is the State System for Conservation Units (SEUC), which establishes criteria and norms for the creation, implementation and management of Conservation Units (UCs). Currently, 22.3% of the total area of the state is within Municipal, State and Federal UCs (Sustainable Use and Strictly Protected) or Indigenous Lands.

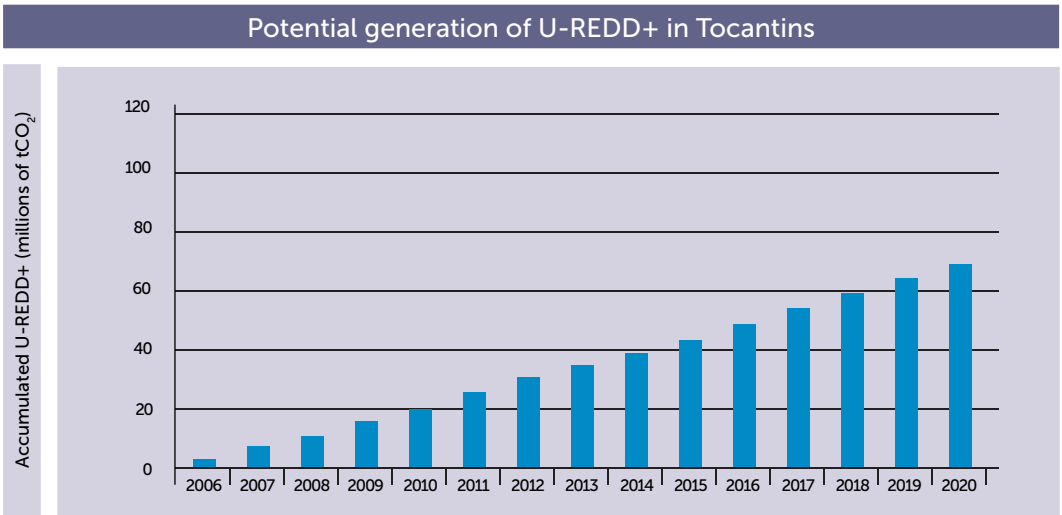
Concerning the Amazon biome, the state registered deforestation of 89 km2 between 2010 and 2011. The Cerrado has the highest rates of deforestation, with 1,311 km^2 registered between 2008 and 2009, and 970 km^2 between 2009 and 2010 (PRODES).

In 2009, the state of Tocantins published its Plan for the Prevention and Control of Deforestation – PPCDAm/TO, with a series of actions for the reduction of illegal deforestation and forest degradation and for the conservation of standing forests. The State Climate Change Forum, created in 2007, was reactivated in 2012. The state also has Law 1917/2008, which cre-

ated the Tocantins State Policy for Climate Change, Environmental Conservation and Sustainable Development. The law is currently in a state of reformulation, in order to accommodate recent national and international developments in terms of climate and REDD+.

The state of Tocantins has 9,803 km^2 of forests and, of the states analyzed, is the one with the smallest forest cover. **Using the stock-flux methodology the potential allocations to the State of Tocantins (between 2006-2020) are 67,936,969.30 tCO_2 (Figure 14).**

Figure 14. Potential for generation of U-REDD+ in Tocantins using the selected methodology.



Summary table: Tocantins

State Area	Forested Area (2013)*	Forests in relation to Amazon (2013)	Historic average of defo-restation (1996-2005)	U-REDD+ potential (2006-2020)
277,620 km^2	9,803 km^2	0.3 %	261.49 km^2/year	67,936,969.30 tCO_2

*Source: IDESAM (analysis based on PRODES - 2014 data)

Conclusion

The methodology for U-REDD+ allocations that considers 20% to the Federal Government and 80% split among the Amazonian states with a 50% stock and 50% flux approach demonstrates a balanced allocation of incentives for each region, taking into consideration the area, forest cover and deforestation rate for the Amazon biome and identified by PRODES.

As shown in Table 4, Mato Grosso and Pará are the states with the highest potential for generation of U-REDD+, due to their high historic deforestation rates and large territorial expanse, followed by Amazonas, with 28.6%. The states of Acre, Amapá and Tocantins have a smaller potential for generation of U-REDD+ due to their smaller areas and lower historic deforestation rates. It is worth recalling, however, that if the Cerrado biome is included in future accounting, it is possible that values for the states with this characteristic be altered.

Another question that should be considered are the rates of verified deforestation by PRODES, primarily in areas with abundant cloud cover, such as the state of Amapá. Different models are needed for the appropriate characterization of deforestation rates and forest cover in these areas.

As the Federal Government has not yet developed a REDD+ system or strategy at the national level, the allocations presented here should be taken into account in the formulation of these policies.

The competence and advances of the States toward the development of environmental policies in their territories should also be considered. The percentages and data used in this publication reflect a long period of discussion and work and take into account the main demands from these discussions. Still, they are open to alterations according to need and baseline revisions.

Table 4. Potential for generation of U-REDD+ in the GCF member states of the Brazilian Amazon between 2006-2020.

State	U-REDD+ potential (2006-2020 tCO_2)	%
Acre	287,688,707.49	4.5%
Amapá	126,212,459.71	2.0%
Amazonas	1,816,458,709.98	28.6%
Mato Grosso	2,045,734,412.24	32.2%
Pará	2,013,608,130.19	31.7%
Tocantins	67,936,969.30	1.1%
Total	6,357,639,388.91	100.0%

State Recommendations for the National REDD+ Strategy

The document Contributions by the States of the Legal Amazon to the National REDD+ Strategy was written and endorsed by the Secretaries of Environment of the nine states and delivered to the Federal Government in 2012 in order to support the National REDD+ Strategy, currently being developed under the leadership of the Ministry of Environment. The purpose of the document is to bring recommendations for the development of an ENREDD+ convergent with the perspectives of each state. Thus, besides integrating state policies already developed, the strategy should have an orienting character for the states still in the process of developing their regulations.

Among the primary recommendations is the inclusion of the item "directives and implementation tools," which proposes a form of distribution of benefits anchored in the U-REDD+ allocation methodology presented in this report: 20% to the Federal Government and 80% split among the Amazonian states (according to the 50% stock and 50% flux approach).

The states also recommend more active participation in the consultative, deliberative and executive arenas and present a governance structure that makes this participation possible. In regards to financing, some primary points are highlighted, such as:

- The states should have autonomy in fundraising from diversified sources. These resources cannot be subject to reduction or exclusion from foreseeable funding sources.

- The ENREDD+ should be articulated with the Brazilian Emissions Reduction Market and the states of the Legal Amazon request their inclusion in the MBRE workgroup.

- All the activities contemplated by the REDD+ mechanism should be eligible to access market resources. The certified emission reductions passed on to the states do not exclude the possibility of accessing resources from the Amazon Fund.

- Part of the resources of the Amazon Fund should be focused on the purchase of carbon credits from REDD+ projects in the Amazon, following MRV protocol and registration.

The entire document can be found in the appendix of this report and clearly demonstrates the intention of the States to actively participate in the development of a national regulation that develops an integrated REDD+ regime with efficient registration mechanisms and robust standards for quantification of emissions.

It is essential that these recommendations be considered by the Federal Government in order to bolster state policies, consolidate efforts achieved to date and avoid that deforestation rates in the Amazon return to pre-2005 levels.

CONTRIBUTIONS BY THE STATES OF THE LEGAL AMAZON TO THE NATIONAL REDD+ STRATEGY

CONTEXT

This document presents contributions by the states of the Legal Amazon to the National REDD+ strategy, which has been championed by the Federal Government under the leadership of the Ministry of Environment.

The concepts and contributions presented below take into consideration a set of studies and documents elaborated by the Federal Government, House of Representatives, Senate, State Governments and civil society organizations over the past three years[1].

The states stress the importance of the process to establish a National REDD+ Strategy and the advance represented by the existence of a foundational working document in this direction. The National Strategy is a fundamental piece for the coordination of efforts to reduce emissions at various levels as we strive for the targets of the National Policy on Climate Change and the state Plans for Control and Prevention of Deforestation, as well as the promotion of instruments to valuate forests and permit the country to take advantage of the opportunity REDD+ represents.

Parallel to the efforts of the Federal Government, the states of the Legal Amazon highlight their involvement with REDD+ since 2008, notably through the Governors' Task Force for Climate and Forests – GCF, focused on the development of REDD+ at the subnational level, as well as the integration and sharing of experiences among its members. This is a pioneering cooperation among states and provinces from seven countries, which, together bring together 20% of all the tropical forest in the world, accounting for 75% of Brazil's tropical forests and more than half of Indonesia's, these being the two most biodiverse countries in the world.

In 2009, at the national level, the Task Force on REDD+ and Climate Change was created, led by the Governors Forum of the Legal Amazon and other entities, such as the Federal Government. Its objective is to build a process of dialogue and convergence between the governors of the states of the Amazon and the positioning of the Brazilian Government in the process of the United Nations Framework Convention on Climate Change, especially COP-15 in Copenhagen.

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1 - Of Note: (I) Task Force Report on REDD and Climate Change (2009); (II) REDD+: synthesis document with inputs from multiple actors in preparation for a National Strategy (2011); (III) Law Project 195/2011; (iv) REDD in Brazil: An Amazonian Focus (2011); (v) REDD in the states of the Amazon: mapping initiatives and challenges for integration with the Brazilian Strategy (2013), among others.

Seizing the opportunity of these initiatives, the States also included REDD on the priority list of its environmental agendas, based on discussions of regulatory frameworks[2] and governance structures in the areas of climate change, environmental services and biodiversity, considered by RED, REDD and REDD+.

It is also important to consider, still, the State Plans for Control of Deforestation, which, by establishing targets for the reduction of deforestation and forest fires, exert direct influence on the attainment of the national emissions reduction targets.

For these advances to be effective, however, better articulation between the federal and state arenas is needed in order for the resulting national REDD+ strategy to truly have an orienting character for the policies that are already being developed in some states.

The role of the REDD+ mechanism in the National Strategy document is focused on emissions reduction, but REDD+ also needs to be valued as an instrument for the promotion of a model for development that values forests and ecosystem services and generates increases in income associated to conservation parallel to emissions reductions.

The preliminary version of the work document presented by the Federal Government is an important step in this sense and contains many relevant advances, such as:

i) the recognition of the importance of implementing and integrating economic instruments and to create a national policy for ecosystem services and the recognition that the economic instruments should be studied and articulated along with the creation of the Brazilian Carbon Market and the regulations of the Forest Code;

ii) the objective of zero net loss of forests by 2020;

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2 - Of note: - Law 3135/2007, of the State of Amazonas, which creates the State Policy on Climate Change;
- Decree 26958/2007, of the State of Amazonas, which implements the Bolsa Floresta (Forest Allowance) Program in the state;
- Law 3244/2008, of the State of Amazonas, which creates the Climate Change Management Unit and Conservation Units;
- Law Project (2012), of the State of Amazonas, that seeks to institute a State Policy for Environmental Services;
- Law 2308/2010, of the State of Acre, which creates a System of Incentives for Environmental Services – SISA;
- Law 1491/2010, of State of Amapá, which institutes a Policy for Reduction and Compensation for Carbon Dioxide Emissions;
- Decree 22375/2006, of the State of Maranhão, which institutes the Maranhense Climate Change Forum;
- Law 9111/2009 of the State of Mato Grosso, which institutes the Mato Grosso Climate Change Forum;
- Law Project (2011), of the State of Mato Grosso, which seeks to institute a State Climate Change Policy;
- Law Project (2011), of the State of Mato Grosso, which seeks to implement a State REDD+ System;
- Decree 1900/2009, of the State of Pará, which instituted the Pará Climate Change Forum (recently revised) by Decree 518/2012);
- Administrative Rule SEMA 1408/2011, which instituted the Work Group for the development of a State Environmental Services Policy;
- Decree 16233/2011, of the State of Rondônia, which creates the State Forum on Climate Change, Biodiversity and Environmental Services;
- Law 1917/2008, of the State of Tocantins, which institutes the State Climate Change, Environmental Conservation and Sustainable Development Policy of Tocantins (currently being revised);
- Decree 3007/2007, of the State of Tocantins, which creates the State Forum on Climate Change and Biodiversity (recently revised by Decree 4550/2012).

iii) the recognition of tax incentives and market mechanisms for financing the system;

(iv) the establishment of an executive body and a national MRV process;

(v) the recognition to decentralize fundraising and integrate financial mechanisms, including states;

(vi) the creation of REDD Units as a parameter for fundraising and allocation of emission reductions;

(vii) the understanding of the need for integration of state and municipal public policies among official entities and the possibility of intergovernmental transfers.

In parallel, other resolutions need to be adopted, such as, for example, the promotion of improved articulation between the goals of the PPCDAM at the federal level and the deforestation reduction targets of the states of the Amazon contained in state plans. It is also necessary to alter Decree 7390/2009 of December, 2010, which regulated the National Policy on Climate Change, particularly article 6, in which the established targets for the reduction of deforestation in the Legal Amazon are superimposed on the targets for the Cerrado biome, as with article 16, VI of Law 11284/2006, in which the commercialization of carbon credits from avoided emissions from natural forests managed under concessionary regimes is forbidden.

CONTRIBUTIONS BY THE STATES TO THE PROPOSAL FOR NATIONAL REDD+ STRATEGY

1.0 INTRODUCTION

The states consider it fundamental that the National REDD+ Strategy serve as an instrument for the creation of a model for development focused on the conservation of ecosystems and, above all, the decrease of poverty, particularly in the Brazilian Amazon.

The states also recognize that the Strategy is an important orienting document for the creation of subnational REDD+ and environmental services policies already in existence.

Further, the entire document of the National REDD+ Strategy is oriented, at its core, to a biome-based approach, despite the fact that the content of the text does not present the required elements for such, and is restricted, in some excerpts, to the Amazonian and Cerrado biomes. The states stress the need to consider the other Brazilian biomes within this strategy.

2.0 ESTRATEGY

ESTRUCTURE

Going beyond the stated items, the states propose the inclusion of the point “Proposal for allocation of REDD+ Units (UREDD+) based on stock-flux[3]”, which should be mentioned under the item “directives and instruments for implementation”.

In this way, the Scope table should be modified for the inclusion of the contributions provided in this document.

VISION

The vision should be established with a focus on consolidating a model of development that is based on the conservation of ecosystem services (with an emphasis on services provided by forests), on the generation of improved opportunities and on people’s quality of life, as well as the promotion of a low carbon economy.

3 - Compensation for reductions in deforestation and conservation of forest stocks

OBJECTIVES

The states of the Brazilian Amazon propose alterations to the following objectives from the Strategy document:

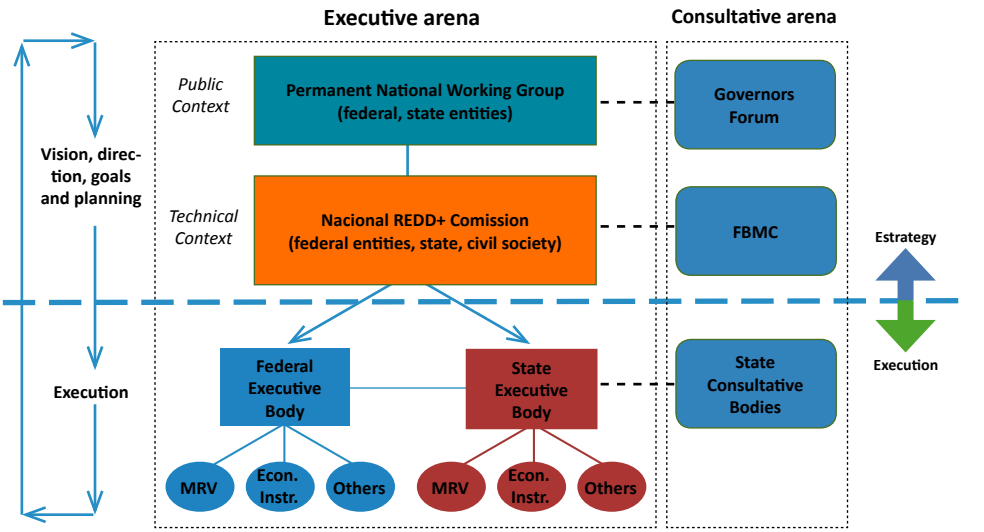
- Reduce emissions in the Cerrado and in the Amazon by 2020, according to actions called for in the PNMC → Add “and in Plans for the Control of deforestation and forest fires in the states of the Legal Amazon”. Complement this objective with the reduction of emissions expanded to other biomes for which there are no established targets for reduction of deforestation.
- Promote the sustainable development of regions with a predominance of forests → add “and of other environments within the other Brazilian biomes”.
- Clarify the concept of net loss of forests, as there are other influencing factors such as forest fires and wildfires.
- Add in objective 4 to reduce social inequality in forested regions of the other states of the Federation.
- Guarantee the equitable distribution of benefits to communities that contribute to the maintenance of carbon stocks and reductions of emissions.

(I) Governance:

Within the federal legislation, corroborating a federative Brazilian model, the Federal Constitution established a regime of overlapping jurisdiction among federative entities in articles 23,24 and 225, creating a common space in which the authority to manage, plan, formulate, implement, monitor and evaluate actions and the creation of norms with the objective to protect the environment. In consequence, the reduction of greenhouse gas emissions from deforestation and forest degradation and the maintenance of forest carbon stocks are included in these overlapping jurisdictions.

The states of the Brazilian Amazon possess their own governance systems in respect to REDD+ strategies, within which they foresee the effective participation of the federal government and civil society.

In this sense it can be understood that the participation of the states and civil society should occur in a more active manner, as much in the consultative as in the deliberative and executive spheres. Toward the ends of strengthening the governance structure of the national strategy to reach its proposed objectives, the following diagram is proposed:



This diagram illustrates the need for the proposal of the institutional REDD+ arrangement to consider the participation of states in the National Work Group (previously named the inter-ministerial REDD+ commission) and the inclusion of state executive bodies.

State executive bodies are understood as management and implementation structures for REDD+ policies at the state scale. These bodies should work in an integrated manner with federal bodies in what concerns the control and accounting of environmental assets generated within the scope of the national REDD+ strategy.

(II) Monitoring and MRV:

In relation to the National REDD+ Strategy's process of monitoring and MRV, the states of the Legal Amazon recognize the importance of a common instrument for the quantification of emissions reductions from deforestation and degradation. In this sense, the role played by the PRODES/INPE program in the monitoring of deforestation in the Legal Amazon is evident, as well as that of the DETER, DEGRAD, PROARCO and TerraClass programs, in what concerns monitoring of alerts for deforestation, forest degradation and soil use. Therefore, the states recognize that the reduction of emissions from deforestation should be measured from the annual PRODES estimates.

However, in order for monitoring of deforestation and forest degradation to represent adequate estimates at the biome level, adjustments and improvement of these monitoring tools is needed, primarily in reference to adequate and complete coverage of deforestation and forest degradation in all Brazilian biomes.

In this context, considering that the states are currently responsible for monitoring of forest cover; licensing and environmental registration of rural properties; approvals of forest management; and the release of authorizations for deforestation and forest fires and the control over log transport, the participation of states is fundamental to monitoring. Therefore, financial and budgetary resources are required for the effective implementation of these actions.

It is the responsibility of the Union, together with the states to establish norms and standards for the monitoring developed by federal (INPE, IBAMA, EMBRAPA) and state (OEMAs and research institutes) agencies.

Measurement, Communication and Verification (MRV)

Concerning MRV, the states understand that verification and registration should be shared activities between the Union and states, as long as there are legal regulatory frameworks for REDD+. Costs related to verification and registration should be proportional to the UREDD+ derived from the emission reductions, maintenance and increase in carbon stocks.

For such, the Federal Government should define methodological protocols, together with states, in order to guarantee the integration and comparability of state accountability structures while still allowing for interoperability with regulated systems.

A future registration system should allow states, the federal government and society to track the UREDD+ within the system.

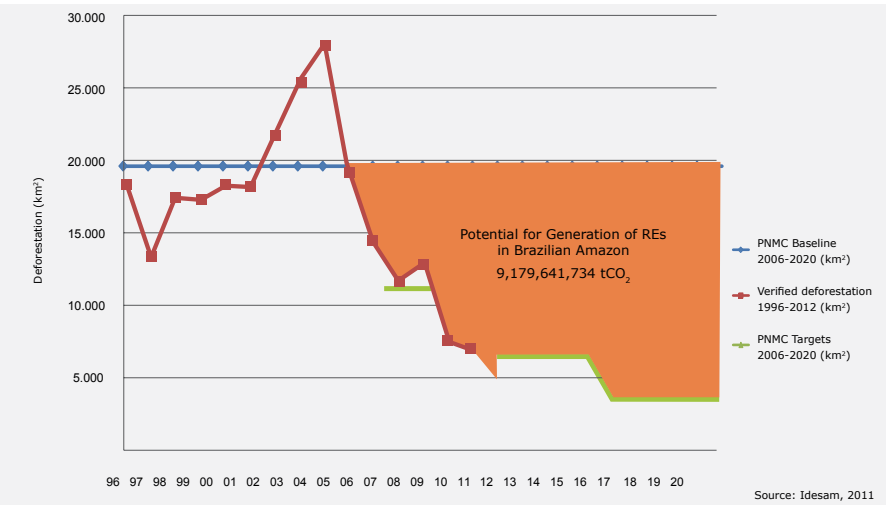
Brazil has already defined its baseline or reference levels for deforestation in the Amazon biome to 2020, through Decree 7390/2010:

> *"Appendix item 1.1.1 – The projection of GHG emissions from deforestation in the Legal Amazon for the year 2020 is the result of the convention that, in that year, the deforestation rate (measured in km2) will equal the average rate of deforestation verified in the biome between the years 1996 and 2005, verified by the PRODES Project of the National Space Research Institute (INPE), of the Ministry of Science and Technology (MCT), according to the following table:"*

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2020
18.161	13.227	17.383	17.279	18.226	18.165	21.394	25.247	27.423	18.846	19.535

In other words, the average for the years 1996 to 2005 has been defined and projected until 2020, thus establishing the reference scenario for emission reductions in this biome. The same decree also reaffirms the goal of an 80% reduction in deforestation in the Amazon by 2020 (article 6, §1), established by the National Plan on Climate Change.

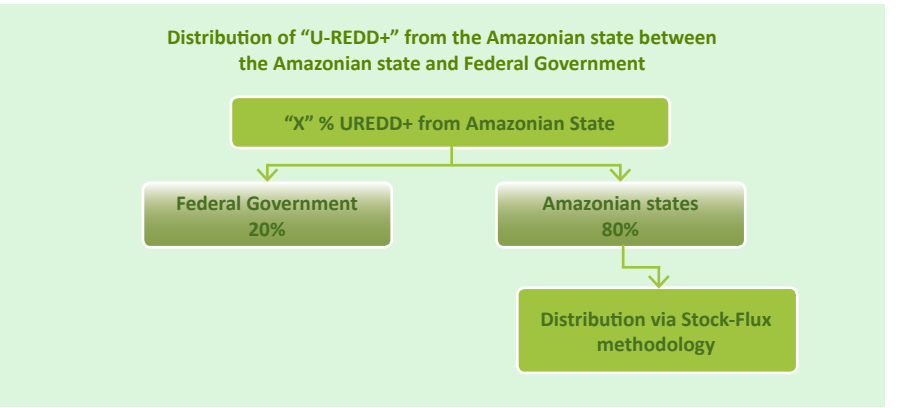
Thus, with the targets for deforestation reduction, the baseline established and the average amount of emissions, also established by decree at 132.3 tC/ha, it is possible to estimate the potential emissions reductions in the Amazon by 2020, according to the Figure below, which illustrates these definitions:

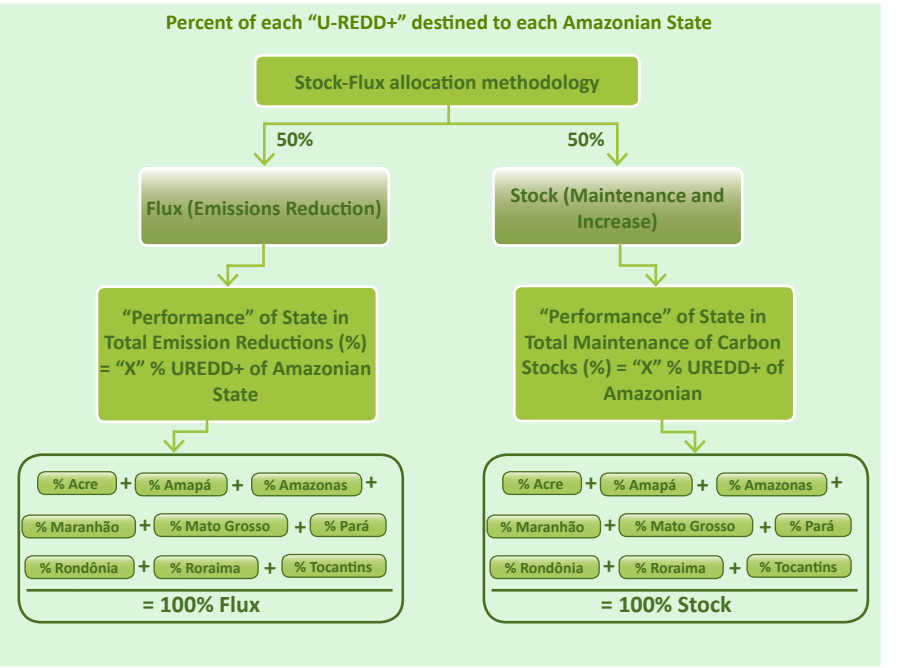


The states of the Legal Amazon consider it important that a methodology for the repartition of benefits takes the states into account in order to realize the just distribution of benefits to communities that recognizably contribute to the reduction of deforestation and the conservation of biomes.

In this context the states of the Legal Amazon propose a methodology presented in the following diagrams:

Considering the current jurisdiction of states in relation to the management of environmental policies, especially forest management and the registration of rural properties, as well as its engagement with states of the Legal Amazon in areas of federal jurisdiction





within their territories, making possible the achievement of national emission reduction targets – the region is responsible for the entirety of the target proposed for the country – it is recommended that the distribution of UREDD+ be 20% to the Federal Government and 80% to the states of the Legal Amazon.

For the distribution of the 80% to the states, a split of UREDD+ through the "stock--flux" methodology is proposed.

FINANCING

The guarantee of a clear, safe and efficient National REDD+ Strategy requires, necessarily, an intelligible financing structure easily accessible by the entities involved. In this sense, the states of the Legal Amazon understand that:

– It is essential that the states have autonomy in capturing resources as well as establishing financial agents to this end, utilizing diverse sources of financing for REDD+, including resources at the international and national levels, above all in consideration of the leadership of states in the achievement of current levels of emission reductions;

– The National REDD+ strategy should be directly articulated with the Brazilian market for emissions reduction as a market instrument. For this reason, the states of the Legal Amazon request to be included in the Work Group dedicated to the Brazilian Emissions Reduction Market;

– The Amazon Fund should not be the only financial agent responsible for the management of resources derived from REDD+ efforts. The states understand that, despite the clear evolution recently, the Amazon Fund has serious limitations, related as much to operational capacity in the face of state demands, as its sphere of engagement and its area of coverage (Amazon biome), which does not satisfactorily consider the states;

– The EN-REDD+ should establish minimum criteria, agreed upon among federative entities, for fundraising and the establishment of financial instruments;

– It is important that all activities contemplated by the REDD+ mechanism be eligible to access market resources. An eventual restriction of specific activities (for

example, only those corresponding to the “Plus”), would place in check promising financing arrangements for REDD+ already being established in several subnational initiatives and would dramatically decrease the potential for fundraising at this scale;

– It is important to guarantee that certified emissions passed on to the states should not exclude the possibility of competing for resources generated by the Amazon Fund. There is a need for part of the resources of the Amazon Fund to be focused on the purchase of carbon credits from REDD+ projects in the Amazon, in observance of MRV and registration procedures.

– It is important to guarantee that resources generated from REDD+ efforts cannot be object of reduction, nor exclusion from already planned budgetary resources;

– It is fundamental that diverse sources of financing be considered for REDD+, with preference given to the Brazilian Emissions Reduction Market, other public and private sources as well as voluntary and regulated national and international markets.

SCHEDULE FOR ACTION

In terms of the strategy for prioritization of activities within state territories, it is up to each state to define the order, timeline and mode of implementation of actions correlated to the Strategy, each according to its particular condition. Though laudable, the initiative by the Federal Government to propose a schedule of actions should take into account the autonomy of the states in the implementation of their own REDD+ strategies.

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