FOREST OWNERS ASSOCIATION

REPORT ON THE UNITED NATIONS CLIMATE CHANGE CONFERENCE COP 21 AND COP/MOP 6

29 NOVEMBER TO 11 DECEMBER 2015

PARIS, FRANCE

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Introduction

The Paris Climate Conference took place from 30 November to 11 December 2015, in Paris, France. The Conference comprised the 21st session of the Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC) and the 11th session of the Conference of the Parties to the Kyoto Protocol (CMP 11). The Kyoto Protocol legally binds developed countries to emission reduction targets. The Protocol's first commitment period started in 2008 and ended in 2012. The second commitment period began on 1 January 2013 and will end in 2020.

The mandate for Paris was "to develop a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties."

I attended the COP talks as a member of the New Zealand delegation. This allowed me to attend both informal and formal negotiating sessions and maintain close communication with the NZ negotiators. The FOA has participated in previous COP meetings (refer previous reports) but was not involved in the last meeting in Peru based on the view that the 2014 meeting would achieve little progress and largely be marking time until the Paris meeting – and this proved to be the case.

The most significant previous meeting for NZ forestry was the Durban meeting where many of the forestry rules were confirmed, including harvested wood products. NZ played an instrumental role in finalising these rules.

Whilst I was in Paris I was also involved in a number of private sector initiatives.

The Paris meeting represented a crossroads for international climate change deliberations because it signaled the end of the twin-track process previously followed whereby developed countries took on legally binding targets under the Kyoto Protocol and reported under the Meeting of the Parties (MoP) while developing countries efforts were voluntary.

Coming in to Paris these individual contributions were submitted as "Intended Nationally Determined Contributions" (INDCs). By the time Paris was over this had changed to NDCs i.e. the intended was dropped.

The UNFCCC Secretariat produced a report in November for use in Paris that synthesises the 119 INDCs from 147 parties (86% of global emissions). It is available here - http://unfccc.int/resource/docs/2015/cop21/eng/07.pdf

The report assesses the impact these commitments will have by 2025 and 2030 and makes comparison with current action. The key points are:

- Many had conditions (NZ) and some had an unconditional component
- A few reserved the right to review their commitment (NZ)

- With regards to a reference year, some parties chose 1990, a few 2005 and others referred to 2000, 2010, 2013, 2014 and 2015
- Most parties included emissions and removals from LULUCF and a few indicated that a common accounting framework would be useful (NZ). However, many INDCs do **not** provide information on the assumptions and methods applied to LULUCF which is a big problem for evaluating impact
- A few parties included LULUCF targets
- Many contain concrete areas for addressing action to tackle climate change including sustainable management of forests
- Most covered CO_2 and many covered CH_4 (methane) and N_20 (nitrous oxide)
- Many parties emphasised a national stakeholder process (NZ)
- A few parties referred to keeping below a 1.5^{0}C increase
- Over half the INDCs indicate parties plan to use, or are considering, market-based instruments (NZ). Most indicated these mechanisms would only be used for meeting part of their targets

Overall, the aggregate effect from the INDCs is emission levels 34 – 40% higher in 2025 and 37 – 52% higher in 2030 compared with baselines. Growth is expected until 2025, but the growth is expected to slow substantially (11 – 23%) in the 2010 – 2030 period compared with 24% in 1990 – 2010.

Per capita emission are expected to slow, compared with 1990 and 2010.

The INDCs indicate a significant increase in the number of countries taking action and there is a clear trend towards introducing national policies and related instruments for low emission development. If implemented, the INDCs will take us on to a new lower trajectory, but the emissions levels will still be above the path needed for "least-cost" 2^{0}C scenarios.

If the INDCs are not improved on before 2030 the effort required thereafter will be substantial and at a higher cost than current options.

A few Parties indicated that a common framework for Land Use, Land Use Change and Forestry (LULUCF) accounting may be desirable, which could be based on existing guidance and experience under the Convention and its Kyoto Protocol.

However, many of the INDCs do not provide comprehensive information on the assumptions and methods applied in relation to LULUCF, which presents a major challenge for the quantitative evaluation of the aggregate effect of the INDCs.

General

Moving to a new agreement that involved all parties, even if it is on terms that suit those parties and involves a "pick and mix" approach that makes assessment and comparison hard was essential. The previous Kyoto "top down" approach did not deliver anywhere near the action required on emissions reductions.

International leadership has also been very much to the fore this time around with unprecedented co-ordination between the US and China on joint announcements timed to give support to the negotiations.

In contrast to previous climate change meetings, this time the leaders' event, which involved over 150 heads of State, was held at the beginning, on Monday, 30 November, to generate political will. It was also to try to avoid the negotiators marking time until the leaders arrived, only to then run out of time, as has characterised previous meetings.

A number of meetings were focused on how communities could take the led domestically. Even Helen Clark, who I spoke to one morning during the first week, was drawing attention to local level effects of climate change. She introduced a UN report undertaken with WRI that looked at ways of involving small and medium sized enterprises in adapting to climate change.

While there was much celebration that a global agreement had been reached in Paris the reality of it is still pretty sobering. The flexibility in accounting and interpretation that has been permitted, to ensure participation by all, has come at a price.

Forestry and the use of international markets remain legitimate tools for combatting climate change, but what the rules of the game for both will be going forward from 2010 is far from clear.

But in the end the French helped deliver a common accord that provides a framework to build on. Another thing they also got right in Paris was the organisation. In Copenhagen I knew of people who waited 7 hours or more in line to get registered. In Paris it took people a few minutes and everything else ran like clockwork, notwithstanding the overt additional security. I was located in St Denis close to the Stade de France, where some of the shootings took place, and yet the commuting and processing was simple, friendly and efficient.

The negotiating process

The best description I saw of the challenge of bringing together so many diametrically opposed views was – "*co-facilitators would work with the Presidency and Secretariat to crystallize existing fault lines in the text*."

Text slowly emerged out of the first week to give a picture of what a final agreement might look like. A draft Paris agreement was submitted on Saturday 12th by the Ad Hoc Working group which concluded a job it started in Durban.

Things then got a bit of a rev up on Sunday when Ministers took over from negotiators to try to unlock the final political challenges associated with this paper. There was a minutes silence to remember the terrorist attacks and then a key development in making progress was Laurent Fabius (French Minister of Foreign Affairs and also the COP president designate) announcing that there were going to be 4 priority theme areas that would be progressed –

finance and technology, differentiation, ambition, and pre-2020 actions. All were led by two international ministers. This did mean that other issues (such as markets) were not accorded the same level of importance, but they nonetheless had some ministerial leadership as well. Happily, an additional consultation process on forestry was subsequently announced and was led by Daniel Vicente Ortega Pacheco from the Foreign Affairs Ministry of Ecuador.

Given that the negotiations needed to be concluded by Wednesday (with adoption of decisions on Thursday the 10th) the urgency on Sunday was not out of place. Some of the initial euphoria had dissipated and there were concerns, certainly amongst the NZ camp, about the re-emergence of some old battle lines. In particular the area of differentiation (all animals are equal, but mostly the developed countries are responsible and should be committing to the hard yards required). Consider for example this bracketed (i.e. not agreed) text that appeared in the final draft for ministers.

[The extent to which developing country Parties will effectively implement this Agreement will depend on the effective implementation by developed country Parties of their commitments on the provision of finance, technology development and transfer and capacity Building.]

Crude translation – we won't be doing anything unless you pay for it. It was not surprising to see this text disappear in subsequent iterations.

The French added to their efficiency credentials by managing a process that delivered new text on Wednesday afternoon that had pruned three words out of four from the negotiators text although some extreme options still remained. Obviously some were not happy but this is the way the process operates and time was running out. A lengthy night session saw many countries express their support for the French presidency's efforts and then immediately go on to explain what the problem was with the new text, while still not rejecting it. This posturing is likely more for the domestic audiences back home to be able to demonstrate that they argued strongly for things that weren't accepted, but in the end had to go with international compromise. The negotiators went through until 6:30am with this commentary. After listening for a while and seeing where things were heading I saw no reason to join them.

Another challenge in the climate change negotiations is the strong efforts to get other indirect issues incorporated in to the agreement by parties who are championing that cause. These include human rights, people with disabilities, gender equality, access to health care, the rights of children and migrants, etc. While these are all laudable causes, the risk is that the text becomes a recipe for world peace and harmony. For this reason, typically these issues are found in the preamble but not in the operational articles of the text.

New Zealand delegation

As well as officials and industry groups both the Labour Party and the Green Party were represented in Paris and I took the opportunity to engage with them on forestry issues as I also did with Ministers Groser and Bridges. It was also good to see other forestry interests in town including Ngati Tu Wharetoa and NZ Carbon Farming.

New Zealand did come in for some scrutiny in Paris which I did not find surprising, but it could have been a lot worse given our lack of progress on reducing emissions. An NGO, the Climate Action Network, awarded John Key the 'fossil of the day' because of the lack of domestic commitment which was seen as out-of-synch with the position he took in Paris – notably claiming that New Zealand was taking a leading role in eliminating fossil fuel subsidies.

Our negotiating team also faced a range of questions from our youth delegation including whether NZ supported:

- targets aimed at achieving no more than a 1.5 degree warming increase
- an INDC review within 5 years given that otherwise it would be 8-10 years until the next official review period

The answer - NZ doesn't oppose them so long as there is universal support from other countries – was not seen as conveying a strong leadership role.

Minister Groser fronted the NZ delegation and also took a lead in the forestry negotiations which he showed a strong interest in championing. He singled out forestry as one of the important objectives for the NZ delegation at his farewell function in the delegation room and acknowledged the role of FOA in the delegation.

Forestry

At the less rarified level, I tried to follow the discussions on forestry and received a lot of support from Maya Hunt and Chris Carson of MPI. There was certainly far more coverage of forestry than I expected, largely driven by the concerns over deforestation. The forest funding announcements by the UK, Germany and Norway to halt deforestation in the Peruvian amazon and elsewhere at the very beginning of the conference helped ensure that. (http://www.ecosystemmarketplace.com/articles/norway-germany-uk-pledge-5-billion-to-combat-tropical-deforestation/).

I was involved in two side events that focused on the role of forestry in a new global agreement. Both events were very well attended with standing room only. They are reported on below along with other forest related activities:

a. ICFPA and related efforts

As noted above the UNFCCC secretariat completed a summary report of the INDCs. Amongst the global forest interests represented within the ICFPA we were also interested in getting more detailed information on the inclusion of forestry in the INDCs. Consequently a report was commissioned by the ICFPA and this was presented at a side event entitled "*Assessing transparency and ambition in the land use and forestry sector*", held in the EU Pavilion on 1 December at 2:30 pm. It was co-hosted by the ICFPA and the EU Joint Research Centre. The Forestry Solutions Group within the World Business Council for Sustainable Development (WBCSD) also partnered in the session and presented some findings from a separate piece of work.

Summary messages from the ICFPA report were:

- Almost all countries include the land sector in their INDCs
- Most countries now treat forests and the land-use sector on equal footing with other sectors

    - This marks a significant political change from the Kyoto Protocol where the land-use sector was mostly treated and considered an off-set sector and not as a "real" mitigation sector
- For most countries the quantification of the contribution of the land-use sector cannot be directly made with the information provided by the INDCs
    - The same is true for most other sectors when considered individually
    - Some countries do provide a quantified calculation of the mitigation for some particular policies or activities
- Many countries identify the policies and measures that will contribute to meeting their targets
    - Forests and the land-use sector will be an important contributor to reaching the proposed targets. In some cases, especially in developing countries, forests and/or the land-use sector constitute the main contribution of the country
    - Reducing the emissions from deforestation, sustainable forest management, afforestation and reforestation are commonly mentioned as key mitigation policies in the INDCs
    - The links between the land-use sector, mitigation and adaptation and other aspects of sustainable development are now clearly identified and addressed in the policies of many countries
- Relative to the emissions from all sectors, the estimated contribution from LULUCF at global level is about 20 – 25% [1] both in terms of 'deviation from pre-INDC trends' and in terms of 'contribution of meeting INDC - countries expect a significant contribution of LULUCF in meeting INDCs
- The INDCs are an important new source of LULUCF information. To reduce the current high uncertainty and increase mutual trust, additional efforts to improve monitoring and reporting are needed, as well as further guidance to enhance the transparency on accounting rules

WBCBD messages

Scaling up sustainable forest management and replacing energy intensive products with wood-based products that store carbon is the most efficient way to mitigate climate change. The WBCSD working group therefore supports measures that:

- Bring the world's forests under sustainable management to
    - Stabilise forest cover by 2030; and
    - Restore forest cover to 1990 levels by 2050
- Meet the tripling global demand for forest products from sustainably managed forests by 2050

[1] Estimated explicitly for 74 countries (80% of all-sector global emission sin 2010) where enough information was available from INDC and from other official country documents. For the remaining countries, 'deviation from pre-INDC' trends and 'contribution to the total INDC target' were conservatively quantified to be equal to zero

- Fast track bio economy development through cross-sector and value chain collaboration

b. Swedish Agricultural research centre - Forest Potential in the Climate Policy Framework

In this event funded by the Swedish Agricultural Research Centre and hosted by the Nordic Ministers in their pavilion on Monday the 7th, I joined a list of international speakers exploring the potential for forestry to be more extensively recognised, and encouraged, within the UNFCCC framework.

http://www.norden.org/en/theme/new-nordic-climate-solutions/cop21/events-1/lulucf-and-redd-forest-potential-in-the-climate-policy-framework

In another joint forestry related effort the IUCN and WWF together with a number of climate advisers jointly released a paper showing that current national plans to reduce deforestation and restore forest landscapes can make a difference. This is available at http://www.wwf.org.uk/wwf_articles.cfm?unewsid=7743

c. Forestry and the EU ETS

The approach of the EU to forestry is always of interest given the influence of the EU ETS and the omission of the land use sector from it. I was involved in a number of discussions in Paris, and later in Brussels, to understand the emerging situation.

The debate about whether to include forestry in the EU ETS has been going on for a long time and creates considerable internal division because of the widely varying forest characteristics between member states and because of the implications for the EU target. Even those that support its inclusion do so for different reasons – some would include it to allow the target to be increased, others to allow themselves to meet the current target.

European forests currently absorb and store around 10% of EU carbon emissions. Their contribution is seen as crucial for the next round of emissions cuts expected in Europe and globally, and yet LULUCF is not included, for example, in the current EU 2020 targets. This importance was accentuated by the move by the EU in October 2014 to pledge to cut emissions by 40% from 1990 levels by 2030 because this objective incorporates, for the first time, emissions from LULUCF. This is noted under Decision 529-2013-EU: "*In the context of moving to a competitive low-carbon economy in 2050, all land use should be considered in a holistic manner and LULUCF should be addressed within the EU climate policy*". This also means that cropland and grazing land must now be accounted for, as below.

	UNFCCC	Kyoto Protocol	
	Reporting	Accounting	
LULUCF	Emissions from 6 land uses	Special accounting rules to reflect only the direct-human induced emissions from the following activities	
	FL Forest Land CL Cropland (CO2) GL Grassland (CO2) WL Wetland S Settlement O Other Land	AR Aff/Reforest. D Deforestation FM Forest Management CM Cropland mgmt. ($C0_2$) GM Grazing land mgmt. ($C0_2$) WM Wetland RV Revegetation	Compulsory Compulsory for EU under the Decision 529/2013/EU (LULUCF Decision) Voluntary

In putting out its target of 40% reductions by 2030 the EU did also note the importance of the land use sector for food security and also for reducing flood risk and soil erosion.

On 25 March, 2015, the European Commission launched a public consultation on the integration of agriculture, forestry and land use http://ec.europa.eu/clima/consultations/articles/0026_en.htm into the EU's climate and energy policy for 2030. Policy on how to include LULUCF into the 2030 EU GHG mitigation framework will be established as soon as technical conditions allow and in any case before 2020. Work toward a legislative proposal is currently underway.

The strong environmental lobby in the EU is opposed because it sees the inclusion of forestry as a watering down of the target, meaning emissions reductions elsewhere won't have to take place. There is also a suggestion that because forestry and land use is both a sink and an emission it should be ring-fenced and have its own sectoral target that would incentivise removal, without having reduced ambition elsewhere.

Even the forestry sector in Europe is divided. The European paper industry, which is heavily reliant on the forest sector, has concerns. Officially these relate to the implications for the emissions target, but the prime reason for their concern is over the possible impact on supply. To understand this it is necessary to understand the land use regulations in Europe. Unlike New Zealand, where land use is dynamic and influenced by market factors, land use is heavily regulated in Europe. As such the inclusion of forestry in the EU ETS could be expected to encourage forest management for carbon maximization, but equally it would almost certainly not result in any new forest area because of the land use restrictions. This then potentially means that the existing forest production cycle will shift to accommodate a return from carbon and this could mean that the current supply cycles are affected. The same influence could also take place in New Zealand, but the difference is that this is likely to be more than offset by the level of new planting and therefore new supply of wood.

The EU commission also rightly notes the lack of common rules at global level on how to collect carbon data from forests. This is something that is also of strong interest to New Zealand and the challenge is to find a carbon accounting methodology that reflects situations as diverse as forests in Brazil, Finland or New Zealand.

d. REDD+

REDD+ dominated the forestry Ministerial-led session at its last session on Wednesday the 9th. Developing country after developing country called for explicit recognition of REDD+ and many were also calling for it to be included as a mechanism. This was equally vigorously opposed by developed countries. Including REDD+ as a mechanism in the text could imply all sorts of financial and other support and potentially develop a whole new expensive formal bureaucracy. It would also be somewhat unbalanced given that for non-REDD+ forestry there is no formal structure. Minister Groser took the floor at one point to promote inclusion of text that would recognise non-REDD+ forestry.

e. Harvested Wood Products

The Paris discussions did not get down to a level of detail that focused on HWPs. Harvested wood products are firmly embedded in the areas contributing to carbon sequestration and are not being contested by any party.

Essentially how New Zealand deals with HWP has the same flexibility - at this stage, as any other forestry rule subject to transparency, etc. so we will continue with the production (Kyoto) approach.

f. Capping Forest Management credits

A potential issue in the negotiations was imposition of a cap on the limit of carbon credits that could be claimed under a FMRL (Forest Management Reference Level). Those operating under the Kyoto protocol, like NZ, have taken on an upside cap on the level of credit, viz 3.5%. There are those that argue that a cap works against forest management (effectively pre-1990 forestry) making a contribution to climate change mitigation and that we therefore should not have caps. This is undoubtedly true. In New Zealand's case the cap is not really a constraint because pre-1990 forestry has been excluded from receiving credit anyway so the constraint already existed, but in other countries this is not necessarily the case. It seems reasonable to argue that so long as the increase in sequestration from forest management change is in addition to whatever the baseline is, then why apply a cap and restrict the incentivisation? Of course, the history is that there was resistance by a number of parties to allowing forest management unlimited recognition because it was felt this would water-down Party commitments. In theory, a lot more benefit could be derived from forests, but whether this would then translate into more ambitious INDC pledges by those countries who were able to claim it is a reasonable point of debate. In any event there was little appetite to open up that debate again in Paris.

International carbon markets

It was encouraging to see, at least in the informal arena, the level of interest in markets. I attended two side events where the development of markets was portrayed as on-going and positive.

Less obvious areas where markets are being progressed include South Africa, Portugal and Chile. The question then becomes can we coalesce 60 different global efforts? Common sets of challenges constraining development include: competitiveness, alignment with other policies, linkage with other schemes, and the productive use of revenues from the schemes.

The California exchange is seen as a catalyst for integration. Quebec is now linked, Ontario Manitoba and Oregon are expected to join. California even have a pilot project in Oaxaca which is intended as a trial run for bringing Mexico into the fold.

California are also committed to bring REDD+ units into the scheme, although this is not expected before 2017 at the earliest. I met with Gary Gero (President of the Climate Action Reserve) who was on a panel with me and asked him how they would balance the tension between supporting units that helped prevent deforestation and those from the compliance end of the spectrum that were generated by additionality. He conceded this would be something they would have to manage very carefully. There would have to be proof that there wasn't double counting by the country of origin and even then he expected that the maximum amount that would be allowed in to the scheme would be only about 4%.

The EU ETS covers around 45% of GHG emissions. In 2014, in addition to this, the French introduced a carbon tax on gas, heavy oil and coal. The target price for 2020 = 56 Euro/tCO_2 and 100 Euro/tCO_2. This target setting is seen as important in giving confidence and influencing today's investment decisions.

China's 7 regional pilot schemes will develop in to one national ETS in 2017. Already 28% of GDP is covered with prices ranging from $3.50 to US$8.50. Late last year China committed to peak emissions on or before 2030, and to lower carbon dioxide emissions per unit of GDP by 60% to 65% from the 2005 level by 2030 and increase the forest stock volume by around 4.5 billion cubic meters on the 2005 level by 2030.

It was noted though that collectively the markets are currently insufficient to put us on a maximum of 2 degrees global warming and prices need to rise.

Previous work by the Centre for European Policy Studies has provided estimates of what the costs with and without markets will be.

No global carbon market	Gradual global carbon market	Perfect global carbon market
72 €uro/t	43€/t	22€/t

The International Emissions Trading Association and Environmental Defense Fund have combined to develop an online reference to emissions trading schemes around the world – http://www.ieta.org/worldscarbonmarkets. Jeff Swartz, the chair of IETA presented at a side event on Fossil Fuel Subsidies and Climate Change moderated by Minister Groser. Groser saw positive momentum to establish a carbon price in the global markets over the next two decades and no room for fossil fuel subsidies. One could have a debate about what our own 1 for 2 subsidy for emitters is.

Whilst there is opposition to market mechanisms, the final text does include sufficient references that recognise its role. It appears in the form "international transferrable mitigation outcomes" and it comes with caveats about taking into account any guidance developed by Conference of the Parties to the Paris Accord (CMA), ensuring transparency, avoiding double counting etc.

One of the reasons for opposition to markets is that developing countries are concerned it may be applied to REDD+ as a means of reducing deforestation and then competing with other sinks. They consider that the finance to protect these forests should be simply donated by developed countries.

Another issue is the legitimacy of the units and there is evidence that many of the units that have been traded over the past few years internationally, including those which New Zealand has allowed in, have not actually provided any benefit to the atmosphere and indeed may have helped stall action on real emissions reductions.

On the Wednesday evening of the second week there was a high level meeting on climate change and the role of markets and trade which was moderated by Adrian Macey and which also included Tim Groser who emphasised the role of pricing in dealing with climate change.

The outcome

Paris could not afford to fail, especially given the disappointment of Copenhagen not reaching a binding agreement, and the waning interest in the Kyoto Protocol. The real question was what would have to be traded off to reach agreement. With the COP negotiations "*nothing is agreed until everything is agreed*,"

The COP plenary convened to consider the draft Paris Agreement at 7.25 pm on Saturday, 12 December and it was agreed with no objections at 7.26 pm. It can be referenced here: http://unfccc.int/resource/docs/2015/cop21/eng/l09.pdf.

I have included what I think are the key extracts from the articles in Annex One below.

In the end though the final text, agreed as usual after the official deadline, was a relatively clear document that did deliver enough, for now, but no more. It relies on additional commitments and agreement in the coming years. The 189 INDCs submitted represent 95% of global emissions but, even if implemented, only deliver around 3°C temperature increase.

Following the adoption of the Paris Agreement by the COP (Conference of the Parties), it will be opened for one year for signature on 22 April 2016 - Mother Earth Day. The agreement will enter into force after 55 countries that account for at least 55% of global emissions have ratified it.

A crucial development was the decision to review progress every 5 years starting with a stock take in 2023. The five yearly reviews are timed to be mid-way through a commitment period. Furthermore, each nationally determined contribution (NDC) cycle is expected to be more ambitious than the last. A non-punitive compliance mechanism will also operate and reporting against this is legally binding once ratified.

The "below 1.5" achieved sufficient support to stay alive as an aspirational goal beyond the 2 degrees target. I have mixed feelings about this. On the one hand it is a useful formal reminder that limiting to no more than 2 degrees is not enough and that there should be greater ambition over time. For some of our Pacific neighbours even a limit of 2.0 degrees is literally the end of their world. On the other hand, the discussion on 1.5 degrees occupied a lot of negotiating time and the agreement to pursue efforts to limit the temperature increase to 1.5 degrees is a long way from explaining how it will be achieved. I can see the 1.5 goal being lauded as one of the key outcomes of Paris when in reality we still do not have the pledges to get us to even limiting it to 2 degrees, and we have uncertainty over how these will be measured and reviewed.

The debate about differentiated responsibilities was continually tested and will be again. An important paragraph that disappeared was one that said "*Each Party that has previously communicated absolute economy-wide emission reduction or limitation targets should continue to do so*". In other words flexibility is only available for some.

Within the formal negotiating text, references to forests are very limited and their inclusion in bracketed text during the negotiations showed how divisive the terms can be. But at least forestry is recognised and included. The term land use did not survive. This was stridently opposed by Argentina, in particular, because it is seen as an entrée for including agriculture. For similar reasons there is also no reference to LULUCF.

REDD+ did dominate much of the forestry discussion. A number of developing countries would like to see a formal, funded process developed that promotes forest preservation in developing countries, but at the same time are not supportive of mechanisms that promote forestry in developed countries. While REDD was not specifically included the following text (within Article 6) is the compromise and will be the subject of a lot of debate at future meetings. New Zealand, along with other like-minded countries, did well to ensure that the wording does not preclude non-REDD forestry as Minister Groser had urged.

> *A mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development is hereby established under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement for use by Parties on a voluntary basis. It shall be supervised by a body designated by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, and shall aim:*
> *(a) To promote the mitigation of greenhouse gas emissions while fostering sustainable development;*
> *(b) To incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party;*
> *(c) To contribute to the reduction of emission levels in the host Party, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfil its nationally determined contribution; and*
> *(d) To deliver an overall mitigation in global emissions.*

What isn't in the agreement are the methods and guidance on emissions and removals from the land use sector. This was never going to be possible in Paris. Instead there is a directive to develop the "guidance for accounting" and the recommendation that "*parties may draw from/build on*" existing methods and guidance under the convention albeit with the words "*as appropriate"* which appear quite frequently and are there to give countries choice over whether they consider it. Hopefully many of the Kyoto forestry rules that were developed over a significant period of time will be reconfirmed. Meanwhile, in the absence of this, the countries are free to account and report in any combination of approaches that they deem appropriate while acknowledging that there may be changes to come. This leaves New Zealand free to use the methodology it has been using to date under the Kyoto Protocol until such time as future guidance is developed and adopted.

While this sounds like a bit of a free for all there is wording that requires that parties will provide information in their INDCs that promotes environmental integrity, transparency, completeness, comparability and consistency and avoids double counting. This flexibility was necessary to get the agreement that we did in Paris.

There is also interesting wording in there that encourages parties to voluntarily cancel Kyoto second commitment period units. Namely paragraph 107.

107. Encourages Parties to promote the voluntary cancellation by Party and non-Party stakeholders, without double counting of units issued under the Kyoto Protocol, including certified emission reductions that are valid for the second commitment period;

Finally, Article 6 (see Annex) of the agreement gives sufficient reassurance to those concerned with the preservation of market mechanisms. The words are more subtle – "*voluntary cooperation*" and "*internationally transferred mitigation outcomes*" but they are recognised as legitimate voluntary actions open to any party (even if some are opposed). Again I participated in a number of side events that reported on the development of markets and the on-going trend and intended alignment between markets is very encouraging.

Although it is described as a legally binding agreement this is only partly true. The process for communicating NDCs is legally-binding, but the content and goals within them are not.

The bottom up pledge and review approach represents a trade-off between something that is legally binding like the Kyoto Protocol, but has limited participation because of that, or something that has much greater buy-in but is also much less compelling.

But this was reality. Apart from the challenge of selling an internationally binding agreement to sovereign nations, nationally-determined approaches were necessary leading in to Paris because no one set of rules was available to accommodate the vastly differing circumstances of 195 parties.

Each country will assess its "fair contribution," according to its respective capabilities and in light of its "different national circumstances." Success will depend on how much the pledges can be improved and how quickly.

The challenge now is to develop the rules and methodology that will underpin the agreement and this is what the subsidiary body has been tasked with driving. This includes the approaches for international trading.

Annex One. Some key extracts from the Agreement Articles

Article 2 (Purpose):

This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:

- holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change

Article 4 (Individual Contributions)

- each party shall prepare, communicate and maintain successive NDC each party's successive NDC will represent a progression beyond the party's then current NDC and reflect its highest possible ambition each party shall communicate an NDC every five years

- NDCs communicated by parties shall be recorded in a public registry maintained by the Secretariat

- developed country parties should continue taking the lead

- Parties shall promote environmental integrity, transparency, accuracy, completeness, comparability and consistency, and ensure the avoidance of double counting

- parties should take into account, as appropriate, existing methods and guidance under the Convention

Article 5 (Forests):

- parties should take action to conserve and enhance, as appropriate, sinks and reservoirs of GHGs as referred to in Convention Article 4.1(d) including forests; and

- parties are encouraged to take action to implement and support, including through results-based payments, the existing framework as set out in related guidance and decisions already agreed under the Convention for policy approaches and positive

incentives for activities relating to REDD+, and alternative policy approaches, such as joint mitigation and adaptation approaches for the integral and sustainable management of forests, while reaffirming the importance of incentivizing, as appropriate, non-carbon benefits associated with such approaches

Article 6 (Cooperative Approaches): - the **section that recognises international markets**

- parties recognize that some parties choose to pursue voluntary cooperation in the implementation of their NDCs to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity;
- Parties shall, where engaging on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions, promote sustainable development and ensure environmental integrity and transparency, including in governance, and shall apply robust accounting to ensure, inter alia, the avoidance of double counting
- The use of internationally transferred mitigation outcomes to achieve nationally determined contributions under this Agreement shall be voluntary and authorized by participating Parties.

Article 8 (loss and damage):

- Parties recognize the importance of averting, minimizing and addressing loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events, and the role of sustainable development in reducing the risk of loss and damage

Article 9 (finance):

- developed country parties shall provide financial resources to assist developing country parties

Article 14 (global stocktake):

- the CMA shall periodically take stock of the implementation of this Agreement to assess the collective progress towards achieving the purpose of this Agreement and its long-term goals (referred to as the “global stocktake”). It shall do so in a comprehensive and facilitative manner, considering mitigation, adaptation and the means of implementation and support, and in the light of equity and the best available science;
- the CMA shall undertake its first global stocktake in 2023 and every five years thereafter unless otherwise decided by the CMA

Article 15 (implementation and compliance)

- notes with concern that the estimated aggregate GHG emission levels in 2025 and 2030 resulting from the INDCs do not fall within least-cost 2°C scenarios but rather lead to a projected level of 55 gigatonnes in 2030, and also notes that much greater emission reduction efforts will be required than those associated with the INDCs in order to hold the increase in the global average temperature to below 2°C above pre-industrial levels by reducing emissions to 40 gigatonnes or to 1.5°C above pre-industrial levels by reducing to a level to be identified in the requested IPCC special report on the impacts of global warming of 1.5°C above pre-industrial levels;
- notes, in this context, the adaptation needs expressed by many developing country parties in their INDCs
- urges those parties whose INDCs pursuant to Decision 1/CP.20 contains a time frame up to 2025 to communicate by 2020 a new NDC and to do so every five years thereafter
- Requests the APA to elaborate, drawing from approaches established under the Convention and its related legal instruments as appropriate, guidance for accounting for Parties' NDCs, as referred to in Agreement Article 4.13, for consideration and adoption by CMA 1;
- decides that parties shall apply the guidance mentioned above to the second and subsequent NDCs and that parties may elect to apply such guidance to their first NDC;