

# TerraCarbon Client Update

UN Climate Talks  
28 Nov-9 Dec  
Durban, S. Africa

At the risk of adding to the numerous updates that will come out this week on the Durban climate talks, we have prepared the attached summary for our clients. In it, we provide a synopsis and take-aways from our perspective having attended the conference over the past two weeks and reviewing the draft decisions adopted there. As always, we welcome any questions or comments.

## Agreement on new roadmap reached, Kyoto extended

- Following two weeks of negotiations in Durban, more than 190 countries agreed to a roadmap that will require all countries to sign up to a new climate deal by 2015 which will come into force by 2020.
- The agreement, brokered by the EU, salvages the UN climate change negotiation process and for the first time will bring all large emitters, including China, India, and the U.S., into a deal that will be "a protocol, another legal instrument or an agreed outcome with legal force".
- Conceived by the EU, it was China that opened the door to the deal with its comments in the first week of negotiations that it would be willing to take on legal commitments after 2020. India, concerned that differentiated responsibility for historical emissions was not being adequately recognized, reluctantly agreed after the wording of "an agreed outcome with legal force" was added. The U.S. said that inclusion of all countries within the same legal framework was the type of "symmetry" that it wanted in a new climate deal.
- The agreement establishes a new Ad Hoc Working Group on the so called Durban Platform for Enhanced Action which will start work immediately on developing a new climate deal, with the added goal of increasing the ambition of pledges previously submitted by countries.
- Several nations, led by the EU, also agreed to extend their Kyoto Protocol commitments to either 2017 or 2020 (to be decided next year), thereby meeting a key demand of many developing countries and removing any doubt about the continuation of the CDM.
- Many environmental groups say that that the agreement does not go far enough, doing nothing to curb emissions over the next 10 years that many scientists say is critical to avoiding the most severe effects of climate change.

## Green Climate Fund is launched

- Operationalizing and financing the Green Climate Fund (GCF) was also a main topic of discussions over the past two weeks in Durban.
- The GCF, proposed in Copenhagen and adopted in Cancun last year, is meant to channel up to \$100 billion annually by 2020 from developed countries to developing countries for climate mitigation and adaptation activities, including REDD+.
- The GCF will be governed by a board of 24 people, with an equal number of members from developing and developed countries. Amongst other responsibilities, the board will consider additional thematic funding windows and approve funding for the GCF. Initially, thematic windows have been established for mitigation and adaptation.
- Importantly, long-term funding for the GCF, including how to ensure this funding is additional to existing development assistance, must still be clarified.
- Public monies are expected to be the main source of funding in the near term, although the GCF is also designed with a private sector window.
- While not yet fully elaborated, the GCF will be able to provide financing using a variety of instruments including grants, lending, and results based financing, including payment for verified results.

## REDD+ still advancing, widely supported

- The focus in the negotiations over REDD+ was on technical issues related to social and environmental safeguards and on national reference emission levels included in the REDD+ mechanism adopted in Cancun.
- With respect to safeguards, negotiators agreed on guidance for reporting, but asked for future guidance to ensure effectiveness of these safeguards.
- Regarding national reference levels, guidance for reporting was also provided (including interim option of reporting at the subnational level), although no decisions were made on how these reference levels will be evaluated or approved.
- With respect to long-term finance for REDD+, parties agreed that market based approaches could be developed to support results based actions (Phase III of the REDD+ process). Non-market based approaches could also be developed. Further clarity and decisions on financing will of course still be needed.
- On the sidelines of the negotiations, it was clear that political support for REDD+ continues to be strong and widespread.
- Anecdotally, the UNFCCC Executive Secretary, Christina Figueres, spoke to Forest Day participants on the importance of REDD, calling it the spiritual core of a global business plan for the planet with a triple bottom line of climate mitigation, adaptation, and poverty alleviation.
- UN Executive Secretary, Ban Ki Moon, headlined another meeting on REDD+ organized by Avoided Deforestation Partners and Jane Goodall.

Speakers supporting REDD+ at this event also included representatives from several environment ministries, and video addresses by U.S. Secretary of State Hillary Clinton and U.S. President Barack Obama.

- Two themes that ran through many of the REDD sessions at Durban were (1) benefit sharing and the importance of making sure that local communities receive compensation for opportunity costs that they will bear, and (2) the need to integrate improved agriculture, economic development, and community development into REDD+ activities to ensure the success of REDD+.
- New REDD+ funds were also hot topic of discussion, with new funds being recently launched by BioCarbon Group backed by MacQuarrie Bank, IFC and Global Forestry Partners (\$25 million, closed), Althelia (\$200 million target), Terra Global (\$100 million target), and a third tranche of the BioCarbon Fund of the World Bank.

### What to look for moving forward...

- Submission and clarification of emission reduction pledges, the workplan for the new climate deal, submissions on how to increase the level of ambition.
- Further discussion on thematic funding windows and how to secure long term funding for the GCF, including more details on how a private sector facility might work.
- First submissions of national reference levels, further information on how REDD+ safeguards will be enforced, how reference levels will be approved, and how REDD+ will be integrated into future market mechanisms.
- Further progress of national or subnational REDD programs that receive support of the FCPF Carbon Fund, including details on price for emission reductions and where and how funds will flow in these programs.

## About TerraCarbon

TerraCarbon LLC was established in 2006 as a carbon markets advisory firm specialized in the agriculture, forestry, and other land use ("AFOLU") sector. We provide a range of technical, transaction, and strategic advisory services to project developers and investors in the carbon market. We operate across all AFOLU project types and all carbon markets. For more information, see [www.terracarbon.com](http://www.terracarbon.com).

### Contact

Scott Settelmyer  
[scott.settelmyer@terracarbon.com](mailto:scott.settelmyer@terracarbon.com)  
+1-309-693-9303

David Shoch  
[david.shoch@terracarbon.com](mailto:david.shoch@terracarbon.com)  
+1-434-326-1144