American Electric Power * Conservation International * Duke Energy
El Paso Corporation * Environmental Defense Fund * Marriott International
Mercy Corps * National Wildlife Federation * Natural Resources Defense Council
NorthWestern Energy * Ohio Corn Growers Association * PG&E Corporation
Rainforest Alliance * Republicans for Environmental Protection * Sierra Club
Starbucks Coffee Company * The Green Belt Movement * The Nature Conservancy
The Walt Disney Company * Union of Concerned Scientists
Wildlife Conservation Society * Woods Hole Research Center

Tropical Forest & Climate Unity Agreement

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Consensus Principles on International Forests for U.S. Climate Legislation

This initiative has been facilitated by Avoided Deforestation Partners on behalf of the above broad spectrum of for- and non-profit groups that endorse these principles.

We, the undersigned, urge the United States to lead the effort in crafting domestic and international solutions to end global deforestation to help solve the climate crisis, enhance our security, save our planet's biodiversity and reduce global poverty. In order to achieve these objectives in an efficient, effective and equitable way, our organizations have come together to strongly recommend that U.S. policymakers incorporate the following principles into federal climate legislation. Given the importance we attach to unity, we pledge to work together in a coordinated way to advance these principles as the legislative process unfolds.

1. **Include International Forests:** The United States should make the conservation, restoration and sustainable management of forests[1] in developing nations a central goal of forthcoming federal climate legislation, as tropical deforestation and other land-use decisions account for approximately 20% of global greenhouse gas emissions.

2. **No Substitute for Domestic Action:** International forest provisions should be paired with science-based domestic emission reduction objectives to ensure that collectively U.S. policies are designed to avoid dangerous climate change.

3. **Leverage Cap-and-Trade Allowance Funds:** The United States should set aside 5% of the overall value of emission allowances in a federal cap-and-trade system to reduce international forest emissions and to help developing countries build the capacity necessary to make these emission reductions. Appendix 1 lists appropriate uses for these funds.

4. **Harness the Power of U.S. Carbon Markets:** The United States, in addition, should permit verified emission reductions from forests in developing nations into U.S. compliance-based carbon markets, subject to the conditions outlined below.

5. **Encourage Forest Countries to adopt National Strategies:** U.S. climate policy should encourage tropical forest countries to move toward nation-wide, environmentally sound, measurable, reportable and verifiable emission abatement goals and programs for their entire forest sector ("national forest emission baselines.") But because many nations will require time to adopt such baselines and because action on climate change is urgent, for a limited time the United States should adopt a flexible, evolving approach.

6. **Create Flexible Rules for Small Emitter Countries:** Verified emission reductions from projects and programs undertaken in developing nations that are not major emitters[2] should have access to U.S. compliance-based carbon markets, even before these nations establish national forest emission baselines.

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[1] All references to international forests and related emission reductions are intended to include forest and peat land conservation, avoided forest and peat land degradation, reforestation, and environmentally appropriate afforestation.
[2] The Environmental Protection Agency, in consultation with an independent scientific advisory board, should define what constitutes a small emitter and a major emitter country. Small emitters should be considered those countries that generate less than 1% of global

7. **Require Baselines for Major Emitter Countries:** Major emitting developing nations should only have access to U.S. compliance markets if they adopt national forest emission baselines. When they do, however, they should be allowed access. Furthermore, states or provinces of major emitting nations that would themselves be considered major emitters (alone or in partnership with other states and provinces) and that have adopted state- or province-wide forest emission baselines, should have access to U.S. compliance markets provided they have domestic authority to supply forest carbon assets into the United States.

8. **Establish a Timetable for National Baselines:** The United States should set fixed dates by which access to U.S. compliance markets will be limited to only those emission reductions that result from national forest emission baselines. The date for states and provinces within major emitter developing countries should be five years from the date that compliance obligations begin under the cap-and-trade program. The date for project- and program-activities in small emitter developing countries should be eight years from the date that compliance obligations begin under the cap-and-trade program, with opportunities to request an extension if specific requirements are met.[3]. Special accommodations should be made for the least developed countries, which will require time to develop national forest emission baselines. Verified reductions from international forestry that enter U.S. compliance markets prior to such dates should remain valid.

9. **Impose Quantity Limit:** U.S. cap-and-trade legislation should impose a quantity limit on international emission reductions that may enter U.S. compliance markets. This fixed limit should be expressed in terms of tons of emission reductions and should apply to all emission reductions originating outside the United States, not just to those from international forests. Because emissions trading between two nations with strong, credible and domestically enforceable caps on emissions strengthens global climate action, this limit should not apply to emission reductions occurring under a strong, credible, and domestically enforceable limit on total emissions or total emissions from the forest sector.

10. **Support Early Action**: To create strong incentives for early action, verified emission reductions occurring after a near-term date should receive compliance credit as appropriate if they meet all other standards and safeguards.

11. **Make International Forest Assets Fully Fungible:** Subject to the safeguards discussed below, international forest emission reductions should be fully fungible with other emission reductions in the cap-and-trade system, with any adjustments needed to account for uncertainties applied before the tradable assets enter U.S. compliance-based carbon markets.

12. **Create Strong Environmental Safeguards:** U.S. agencies should adopt strong safeguards to ensure the integrity of international forest activities and U.S. compliance markets. These safeguards should make sure that all international forest emission reductions are measured, monitored and verified in a manner that appropriately accounts for uncertainties. The safeguards should also ensure that international forest emission reductions are additional, permanent, and account for the potential for forest emissions to shift to other jurisdictions as a result of climate policy. Tradable emission reductions from international forests should be registered transparently and in a way to prevent double counting. Safeguards also are needed to protect critical ecosystems and conserve global biodiversity.

13. **Protect Forest Dependent Communities:** Social protections upholding the rights and interests of indigenous peoples, other forest dependent communities and the rural poor should be incorporated in a mandatory form within U.S. climate legislation and the approval criteria for receiving set-aside funding and/or access to U.S. compliance-based carbon markets. As part of these protections, the United States

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GHG emissions as well as less than 3% of global forest-sector and land-use change emissions, taking into account special circumstances related to low governance capacity. All other countries should be considered major emitters for the purposes of international forest provisions.

[3] Small emitter countries that are least developed nations should have opportunities to request an extension for project- and program-activities for up to five more years provided national circumstances warrant. Other small emitter countries should have opportunities to request an extension for up to three years but only if they are making substantial progress toward adopting and implementing a credible national forest emission baseline program.

should prohibit the use of international forest emission reductions from any nation that the U.S. State Department determines has failed to adopt and effectively implement nationally and internationally appropriate social safeguards, legal systems and policies. In addition, the Department of State should report regularly on how U.S. and global climate policies are affecting indigenous peoples, other forest dependent-communities and the rural poor.

14. **Help Developing Nations Prepare:** As it is economically and environmentally essential that forest-rich developing countries have the capacity to sell significant quantities of verified emission reductions by 2012, Congress should appropriate a substantial and meaningful sum each year for the next three years in U.S. foreign assistance legislation to assist developing countries create national forest emission baselines, as well as pursue other activities to prepare for participation in U.S. carbon markets and international forestry programs when those programs take effect.

Appendix 1: Use of Allowance Funds

The United States should set aside 5% of the overall value of emission allowances in a federal cap-and-trade system to reduce international forest emissions and to help developing countries build the capacity necessary to make these emission reductions. The Executive Branch should have discretion to use these funds for a wide variety of purposes since national conditions vary and U.S. priorities will evolve over time. Permitted uses should include:

- Programs to assist developing nations better manage their forests as well as lay the groundwork for their participation in international forest carbon markets. These market readiness and capacity building efforts may include: developing national forest emission baselines, improving forest sector governance, transparency and public participation; building effective forest sector institutions; establishing social safeguards associated with forest management; implementing land tenure and judicial reforms; developing equitable systems for sharing carbon revenues; and supporting systems to measure, report and verify international forestry emission reductions.

- Incentives for achieving high-quality verified emission reductions from forestry activities. The fund should be used to help nations begin to immediately reduce tropical deforestation through U.S. government financed pay-for-performance programs. These programs should also be designed to ensure a smooth and efficient transition to market-based funding.

- Programs to conserve existing forests, including payments to countries with low forestry emission rates to keep those rates low even as other nations reduce their emissions from forests. These programs and payments will help counter new and shifting deforestation pressures.

- Programs to improve forest management and land-use policy. Such programs may include support for conservation trust funds, forest and other land-management policy reforms and activities (including community-based approaches that recognize the role, rights and interests of forest-dependent communities), efforts to combat international illegal logging and international trade in products from illegal logging, changes in infrastructure planning and other land management practices, and the development of low-carbon energy sources that would help reduce forestry emissions.

- Upfront financing, including loans, for emission reduction activities. This financing may help advance policy reforms and promote implementation activities in poor governance, high risk countries and other nations that are not able to affordably access private capital to finance their emission reduction strategies for the forest sector.

- Pilot and experimental activities, such as for conservation of peat lands and other soil carbon in qualifying ecosystems.

"Credit for early action" defined as action to reduce emissions from international forests taken after some specified date before emission reductions are eligible to be tendered by regulated entities for compliance purposes in a U.S. cap-and-trade program.

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