

**Submission by Nepal on behalf of the Least Developed Countries Group with respect to methodological guidance for non-market-based approaches related to the implementation of the activities referred to in decision 1/CP.16, paragraph 70**

The Least Developed Countries Group (LDC Group) welcomes the opportunity to submit views on methodological guidance for non-market-based approaches related to the implementation of the activities referred to in decision 1/CP.16, paragraph 70.

The LDC Group supports the COP 19 decision on non-market-based approaches to finance REDD+ to ensure more mitigation activities and believes that non-market-based approaches will ensure equity in financial distribution, obligations to nature, delivery of measurable, additional emission reduction outside an offsetting context, and cost effectiveness of mitigation actions to achieve sustainable development.

**Non-Market Based Approaches (NMA)**

The 2013 submission by Nepal on behalf of the LDC Group with respect to Non-Market-Based Approaches, states that, “*LDCs understand that non-market-based approaches are a broad spectrum of actions that contribute to reducing global greenhouse gas emissions by both Annex I and Non-Annex I Parties.*” LDCs consider that non-market-based approaches have a more universal uptake and have fewer problems with leakage, permanence, and fraud as the approaches are driven by climate change outcomes rather than market interests.

In the REDD+ context, the term “Non-Market-based Approach” (NMA) refers to policy measures and instruments designed to raise adequate, predictable and long-term resources for enhancing effective mitigation and adaptation actions without internationally transferable units, but MRV-ed so that the outcome can be accounted toward an emission reduction target of the contributor country. All activities should be able to meet the standard of delivering real, permanent, additional and verified mitigation, and avoid double counting according to UNFCCC rules.

While complementing market-based approaches, NMA provides better opportunity for proportional allocation of resources among the five REDD+ activities (a) to (e) (referring to 1/CP 1, paragraph 70 and five REDD+ activities). This approach allows NMA to go beyond carbon offsets by taking into account the multi-functional attributes of forests. This intends to create synergy between mitigation and adaptation measures that can complement a country’s sustainable development goals.

Considering the poor state of the carbon market, LDCs place great importance in the development of non-market based approaches for REDD+. Furthermore, many LDCs are unlikely to have access to market-based approaches due to a variety of reasons as evident from the experience of Clean Development Mechanism (CDM). Therefore, non-market-based approaches are likely to deliver more equitable outcomes, particularly for LDCs. We believe that non-market-based approaches should play a significant role in the implementation of REDD+ activities for all countries. We believe it is very difficult to deal with REDD+ as a carbon-centered approach based solely on quantification of emissions

because most of the REDD+ safeguards and activities assure multiple benefits (including ecological, social, cultural and economic benefits).

### **NMA as an opportunity**

Market-based mechanism refers to instruments and approaches that have international transferable units from forest carbon markets in the context of REDD+ and, until recently, this has been considered to be the only available option for REDD+ financing. Market mechanism and NMA are complementary to each other and both are required to meet the goals of UNFCCC through REDD+. While market-based mechanism has distinct benefits, experience indicates that there are numerous risks and limitations for LDCs. For example, LDCs had a constricted access to the CDM market due to a multitude of reasons including, but not limited to, inadequate capacity, lack of quality data, and high upfront and transaction costs. We believe that NMA should be a priority for REDD+ financing for LDCs as it can better complement our efforts for biodiversity conservation, improved ecosystem services and poverty reduction through devolved forestry sector governance.

Despite intensive efforts for conservation through incentive mechanisms, deforestation remains a persistent problem in many LDCs as the existing value of ecosystem services of forest is still undervalued and considered marginal. Most drivers of deforestation and forest degradation in LDCs are derived from subsistence-based economic activities. Fuelwood extraction, for example, is a major driver of forest degradation in our countries; but there is no formal market for this product in rural areas. Hence, the problem cannot be addressed by market instrument alone. The success achieved so far in biodiversity conservation, watershed restoration, forest conservation in many of our countries can be attributed to community engagement and not driven by market forces. Social, environmental and governance aspects have been important in this regard.

The LDCs believe that activities to be considered under non-market-based approaches should include:

- Actions related to policies, law enforcement, governance and trade
- Action to address the drivers of deforestation and forest degradation, and thus reduce emission
- Awareness raising and capacity building to promote carbon sequestration in forests
- Carbon sequestration incentives (afforestation and reforestation to enhance carbon stock)
- Conservation (sustainably managed carbon stock in forests)
- Research and development of suitable and efficient technologies
- Co-benefits like enhanced livelihoods, biodiversity conservation, better ecosystem services, climate resilience, improved governance, contributions to multilateral environment agreements, etc.

We strongly believe that non-market-based approaches for REDD+ should be incorporated within the framework of various approaches and should be included in the 2015 agreement. The non-market-based approach should be implemented within the 2015 agreement and can

be facilitated through support and oversight from the UNFCCC and the 2015 agreement with linkages to the Green Climate Fund (GCF). The LDC Group is of the view that since REDD+ has a potential to significantly contribute to mitigation and achieve sustainable development and livelihood improvement of forest dependent communities, REDD+ finance should be addressed as a part of the long-term finance for mitigation and adaptation.

### **Suggested methodological guidance**

- Institutional arrangement: There is need for a good institutional (existing or new) arrangement within UNFCCC to account for NMA transactions.
- Funding: LDCs urge developed countries to take the lead in providing financial support for REDD+ and sustainable development needs for LDCs through non-market-based approaches within the GCF and under other multilateral and bilateral financing entities. It is important that finance for NMA should be additional to regular ODA funding. Furthermore, funding should be equitable, predictable, and transparent with adequate provisions of MRV.
- Accounting: Accounting must be based on guidelines that are transparent, consistent over time and suitable for MRV such as UNFCCC guidelines and modalities, and IPCC good practice guidelines.
- Registry: Registry should be maintained at both national and international levels to record outcomes of market mechanisms and NMA activities for monitoring and avoiding double counting. REDD Web Platform can be a good medium for this.
- Verification: Programmes submitted for NMA should adhere to the agreed modalities as per decision 14/CP.19 for MRV.
- Pricing under NMA: Differential pricing mechanism that can seek premium values to appreciate non-carbon benefits from REDD+ activities should be allowed. Determination of pricing through bilateral negotiations should also be allowed.
- Safeguards: NMA should respect the framework on safeguards agreed by Parties under the Cancun agreement.
- Sustainability: Sustainable financing and environmental integrity should be ensured.