

Compensated Reduction: A Novel Approach for Tackling the Largest Source of Greenhouse Gas Emissions in the Developing World

Compensated Reduction (CR) is an innovative proposal to provide incentives for developing countries to reduce their deforestation rates on a voluntary basis and participate more effectively in addressing global climate change.

- The clearing and burning of tropical forests accounts for up to 25% of annual GHG emissions and is the largest source of emissions in the developing world.
- If the current rates of deforestation in Brazil and Indonesia alone were to remain the same through 2012, the emissions from this deforestation would offset nearly 80% of the emission reductions of the Kyoto Protocol.

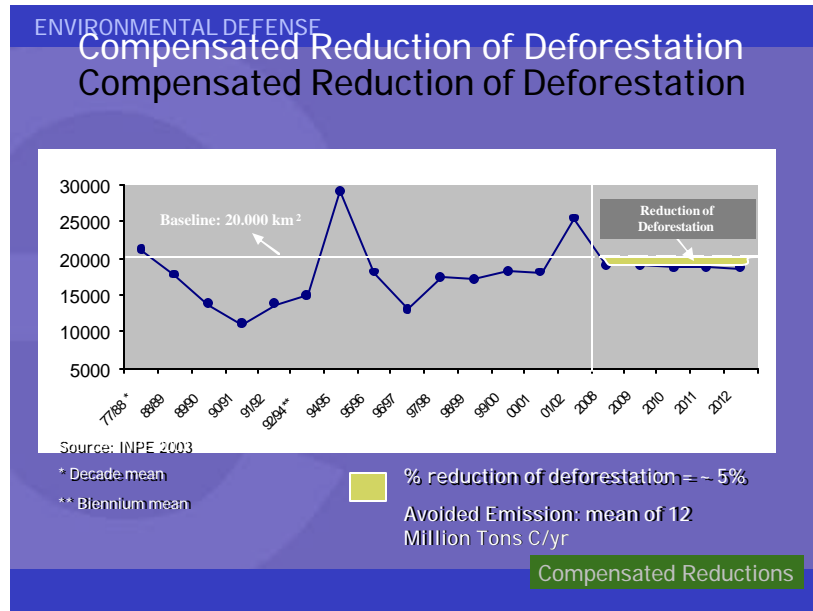
Compensated Reduction would reward countries that demonstrate a real decrease in their deforestation rates. The concept is simple: Any nation that reduces national deforestation below a baseline (based on average historical deforestation rates) would be eligible for compensation, receiving emissions allowances tradable in the global carbon market.

- The compensation would be *post facto*. Successful countries would receive compensation after 2012 *after* real reductions were concretely measured; a portion of the tradable allowances would be held in an insurance reserve.
- To determine if real reductions occurred, a country's forests would be monitored by robust, reliable satellite imagery, supplemented by ground-truthing.
- Each participating nation would make a *continued* commitment to stabilize and reduce deforestation in the future.

Compensated Reduction involves a nation's entire forest system, not just individual projects, thereby avoiding problems that have hindered consensus on forest issues. CR also addresses concerns raised by the United States:

- In 2005, the U.S. Senate voted in favor of enacting a comprehensive and effective national program of mandatory, market-based limits and incentives on emissions of greenhouse gases to slow, stop, and reverse emissions growth at a rate and in a manner that (1) will not significantly harm the U.S. economy; and (2) will encourage comparable action by other nations that are major trading partners and key contributors to global emissions. CR would encourage such comparable action.
- CR addresses a key flaw in the Kyoto Protocol: it brings the largest share of developing country emissions *into* the global carbon market.
- By harnessing market forces in favor of forest protection, building capacity and enhancing community involvement, and providing incentives for better monitoring, CR directly supports President Bush's Initiative Against Illegal Logging (see <http://www.whitehouse.gov/infocus/illegal-logging/piail.html>).
- A coalition of ten developing nations has formally asked to have the issue of reducing emissions from deforestation placed on the agenda for the Eleventh Conference of the Parties the UN Framework Convention on Climate Change.

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The largest share of developing country emissions is from the deforestation sector, an amount greater than total US fossil fuel emissions.

