Session 4: Panel Discussion
Building Effective REDD+ Financing Schemes at the International, Regional and National Levels

Moderator: Ma Hwan-Ok (ITTO)

Panelists: Maria Jose Sanz-Sanchez (UN-REDD/FAO)
Gabriel Eickhoff (Forest Carbon Partners)
Peter Graham (WWF International)
Mitsuo Matsumoto (FFPRI)
Bambang Supriyanto (Ministry of Environment and Forestry, Indonesia)

(Dr. Ma) Today, we are very grateful and very fortunate with the world leaders of the REDD in front of us. In the morning also we had wonderful presentation and also following made a productive discussion in the morning until now. In order to perhaps show a way, to promote this panel discussion, already in the previous session we had question and answer session. However, I would also like to bring some of the common questions that can be addressed by the panel members. Some of them can be addressed also by the audience. Those are the two aspects. We would like more to interact with all the other participants as much as possible as time will allow.

I will work two rounds of the discussion. First, today all of the audience and all of the other colleagues learned many keywords. I think one of them was 'scale up' or 'sustainability'. I think in our discussion we continue such things about the issue of financing. This is the first part: REDD financing from first starting the result payments to where we are now. Already we learned some of the stories from Maria Sanchez and the other speakers.

Once again, this is the time to reemphasize where we are and to introduce also to the audience. We heard that from the private sector we have audience members here. Therefore, we would like to have some updated information regarding some of the institutions. That is the first question. The second is how best can the developing country mobilize wider range of the financial sources for REDD+? This was already mentioned by Peter Graham, WWF, in your presentation, but it is once again to reemphasize this important issue.

Third question: is there any evidence that the results-based performance has already taken place or is taking place soon? We would like to share some of the information from panel to show you the other side. That is maybe the first round. Also, the organizers received several questions, so I will also leave question time available. I will also report to each panel member to oblige and address some of the questions.

Today, you are familiar with all of the distinguished panel members except for Bambang Supriyanto, the director of Environment Services of the conservation forests and protected areas, who is from the Ministry of Environment and Forestry. By the way, he also has a lot of experience promoting REDD. In particular, in protected areas he has good experience working with international projects, particularly in East Kalimantan, in Indonesia. There is Berau, the forest conservation program with Nature Conservancy and he is also working closely with Sebangau National Park in Riau, with WWF, Indonesia. Also in West Java, the Meru Betiri National Park, with ITTO my organization. I worked about five years with him to promote conservation of biodiversity as well as carbon while enhancing the livelihood of the surrounding local community. This is some additional information about Bambang Supriyanto.

I think Maria also wanted to raise some questions. Something I would like is that people interact and not only answer my questions. If we have time, I would ask the panel members also raise question yourselves. For my first question, who can provide updated information in our panel? I would also like to encourage private institutions to answer whether there are any other interesting REDD research projects or commitment initiatives from the audience, or any of the panel members?

1. REDD+ Research and Commitments

(Mr. Graham) The most recent developments or initiatives that could effectively increase REDD+ finance; first of all, the development of the Paris Agreement of a new climate change regime. If we can firmly establish a link between REDD+ and financing for REDD+ within this new agreement, essentially solidifying the Warsaw framework and its connection to the financial mechanism, we will be able to create or generate additional confidence for countries, both the donors and REDD+ countries, that this mechanism is not over.

Secondly, I spoke to the developments in terms of deforestation-free commodities and supply chains and deforestation-free investments. There have been a number of movements afoot there - from the New York Declaration on Forests to the Consumer Goods Forum and others. We are working at WWF with the organizations there to find a way to link deforestation-free pledges to jurisdictional REDD programs. Finally, a couple of the multilateral developments: the Carbon Funds. There has been a recent announcement from UK to put more money into the Carbon Fund, so more countries can potentially get into the pipeline with emission reduction programs at scale. There has also been discussion about extending the life of the Carbon Fund beyond its current mandate to 2020. That would provide additional certainty of a longer period of revenue from the success of those programs.

Finally, the BioCarbon Fund's most recent initiative is called the Initiative for Sustainable Forest Landscapes. It is under the BioCarbon Fund and it does involve the private sector in (potentially) innovative ways at a landscape level to provide a public-private partnership where, depending on the landscape in which they are working. Those are a few of the developments.

(Dr. Ma) I think that you pointed out a very important point from the multilateral to a public-private partnership. May I ask the audience for any other complementary information to share some of your own institution's development to move forward the REDD? Yes, William from CIFOR.

(CIFOR, Dr. Sunderlin) Looking at the wording of the question, it is 'how can we ensure a continuous flow of funds?' which, from the point of view of a REDD proponent organization, establishing REDD on the ground is absolutely key. Why? Because it is so important not to raise expectations for local people unless you can have a financial commitment and a REDD arrangement that can endure.

The agreement that is taking shape in Paris, as far as I know right now, the draft-text does not ensure funding beyond 2018 and yet, part of what we need to focus on is what are the funding arrangements in 2020 and beyond? The point I want to make is simply that really a driving force and hesitation about moving forward with REDD on the ground is a lack of confidence that the REDD architecture is firmly in place.

Therefore, we need to pay close attention to that in understanding whether a financial mechanism can be viable.

(Dr. Ma) Thank you very much, William, for your very important observation. Second part will be more or less the way to Paris, negotiations in 2015, which is an important year for climate change.

May I go back again to the first part, and then we can also a little bit digest and then we can move again back to the second piece? Maria, can you share with the numbers?

(Sanz-Sanchez) I want to make an observation. Peter listed a long list of initiatives that are being deployed or enhanced in the last year. If you look on those, and if you look on the comments, what you see is still, not only the missing private sector, but also the missing middle part, which is okay, we create capacity and we will get results based payments but where is the investment? This is still missing. None of the initiatives are addressing this part. The Forest Investment Program was supposed to address this part, and I am afraid it did not. We need to reflect about that.

I want to come back to what I said this morning that it is not that international finance should finance all the investment. It is about how international finance may trigger this investment domestically. This is a question that, in my view, is not attracting enough attention, and it could lead to a failure in long-term of REDD+.

Another thing I was thinking while listening this morning is, and this is a provocative question to all, is carbon per se a commodity? What is different in 2015 than before 2012? I think one of the things that Peter listed was very important. It is the changing perspectives of the big private sector to engage through another way, which is not the carbon per se, but the commodity chains. This illustrates to me that per se carbon cannot be treated only as a commodity in isolation. We have to find innovative ways to trigger these changes, which are related to carbon, but not directly.

It links also to what my neighbor said in his presentation that the fact of considering carbon as a commodity in isolation led to the cowboy landscape to really pervert the markets a lot in the past. I think the engagement of the private sector is much more complex than just carbon as a commodity. This is one point that I think is important to keep in mind. We have this missing middle ground that we have to find ways to trigger proper engagement of countries on domestic investment.

We know that there are regions where is far to make this happen. In Africa, for example, there are many countries which are far to go on that path. However, in Latin America, there are countries which are ready to do so, and they are telling us that. They are telling us we have this middle missing part. We are committed to engage, but we need some sort of trigger. I just wanted to make this reflection. I hope it helps to answer some of the questions in the first section.

2. Indonesian REDD Finance

(Dr. Ma) May I ask Bambang Supriyanto to share your experience regarding question three, which is, is there any evidence? Can you show the good performance results in the Indonesian context?

(Dr. Supriyanto) As it has presented at COP20, Lima, Indonesia REDD finance focused on three approaches. The first is that we (Min. of Environment and Forestry of Indonesia) are dealing with how to mobilize all resources to support readiness and also investment especially on how to link between national methodology with sub-national and also FMU (Forest Management Unit) approach.

We have some examples in terms of using resources from global climate funds. We proposed at least seven proposals from sub-national through bilateral and multilateral scheme. We have some projects on those issues. One of them is the Indonesia-Japan REDD+, which focuses on the establishment of a landscape approach in Gunung Palung National Park (GPNP). Also we have cooperation with Germany-GIZ and Also the TFCA II funded by USA (under Debt for Nature Swap scheme). Also, dealing with landscape approach in the heart of Borneo, some resources have been accessed such as the ASEAN ADB to support the landscape approach in Kalimantan under climate change and biodiversity project, as five year program.

The second approach that we are going to have in future is what we call as market-based oriented project in Indonesia. Thanks to Japan, last year on the 23rd of August we made MoU with Japan Government under the scheme of Joint Credit Mechanism (JCM). In the beginning, there are 75 Feasibility Studies of the project, of which 9 were selected by Joint Committee of JCM with reduction emission project rate is 1043 ton CO2 equivalent per year. This joint cooperation, may in form of "private to private" framework, for example Sharp and PLN (Indonesia Power Company), Yokogawa, Azbil, Shimizu, Lawson as well as Toyotsu. Those examples are part of the project of the JCM in Indonesia. Since those nine projects are all under scheme of energy, we, in forestry sector, are also expecting such progress under JCM scheme.

We are challenged in supporting our REDD+ project under reforestation and to halt the deforestation in our landscape area, as we together with Japan partner in JICA project at GPNP. We understand clearly that there should be credit given to the company as well as to our country. For that issue, we have regulations i.e. Under Government Regulation No 20 year 2012, which regulate that we are only allowed to give credit to company no more than 49%while the remaining 51% belongs to national carbon credit. This regulation is consistent with commitment of our previous president Susilo Bambang Yudhoyono to reduce emission by 26% with national support and by 41% with international support.

Last but not least, the third approach is domestic resources to finance REDD+ as what we call as private support from the national using social capital. The government will grant three kinds of certificates regarding participation on REDD+ issues. We can offer a commemorative place, for example, if the project is restored by Toyota Company, then we will give the name of this forest as Toyota Partner Restoration Forest. This is like a reward from the government. I think this is my share of learning from Indonesia.

(Dr. Ma) Thank you very much, Bambang Supriyanto for sharing the Indonesian experience. We heard about the commitment from international society. We also looked forward to the implementation of Indonesia and their very important commitment to reduce the emission from deforestation/forest degradation.

I would like to ask maybe one of the panel members to talk about this question. Then I have also received many interesting questions from the floor. May I ask Gabriel Eickhoff regarding how best developing countries can mobilize a wide range of finance? Particularly, some of the countries are developing, including least developed countries. Some countries lack the financial or the institutional resources. How can they also access some of the potential financial resources?

(Mr. Eickhoff) It is a challenging question and the answer is unique to every country context. One of the first and most important things is that the country in question needs to define for itself what game it is playing. Is it going to operate solely through a fund mechanism? Is it going to operate through a market mechanism only? Is it going to operate through funds and markets together? Which one comes first? What is the approach? Once these things are defined, it is a 'if you build it, they will come' sort of situation. However, most countries have a hard time getting to this point because of uncertainty about markets.

They hear the price is very low, and the funds are there and big and appetizing, so what should they do? The first way to ensure that there is a wide range of sources of finance is to state outright what your intentions are as a country, "We are going to do funds and we are going to do markets." If you are going to do that then you need to define and explicitly say, "We are going to do projects and we are going to do sub-national programs." If you can do both of those things, say your funding source and the level of engagement, actors will come to the table and you will be able to maximize all of the different sources that are possible.

3. Incentives for WWF to Provide Funds

(Dr. Ma) I have received many of audience's questions maybe I will ask some of the audience questions to our panel members. The question is to Peter Graham: In Japan, funding for NGOs is very limited. Which source is used by WWF? Which sources are larger among the public and private sources? What is the incentive for those investors or the contributor for WWF to provide funds? Do you have any advice for the government to facilitate such contributions; any advice from your side to the government?

(Mr. Graham) The sources of financing for WWF's activities, I cannot speak too broadly. Again, it depends on the organization of WWF in each country where each office is essentially a legally independent entity. There are connections between some southern offices and the northern offices through financial flows. The source of funding for the US office of WWF, for example, there is a proportion of the funding that is coming from philanthropy, or rich people, with good intentions who support a range of causes that WWF supports or works on.

There are also targeted activities where WWF seeks to, for example, work with the private sector to change their behaviour, for example, the impact of fisheries or to deal with illegal fisheries. There you can get cooperation from industry leaders who want to be seen as doing the right thing as part of corporate social responsibility, so they are willing to partner with an organization like WWF. Also, where governments are also trying to find solutions to similar problems but do not necessarily have the best relations with industry players or local communities, they can find it valuable to work with NGOs like WWF to achieve their objectives.

Speaking on behalf of the forest and climate program, we have to be very thankful to the Government of Norway for their willingness to take risks and invest in organizations. We do not serve as a consultant to the Government of Norway. They agree with what we are trying to do and our approach to achieve the objectives of REDD+ through capacity building in REDD and implementing or developing and assisting countries in jurisdictions in REDD programs. From a non-governmental civil society perspective, we have a role to play that serves their interest. We have attracted a fair bit of funding from them to support our activities, as well as having other WWF offices support us in certain ways.

I want to be cautious as the question came from a Japanese audience member about what the Japanese government could do and how an international organization like WWF and another large NGO that works in Japan and REDD, such as Conservation International, should influence the government. If, in your bilateral deals with Indonesia or Malaysia, as our colleague from Indonesia just mentioned, there are NGOs working at a jurisdictional level within the country then here are opportunities to partner there. If you have a problem meeting a certain technical condition or accessing certain segment of the local community there are ways in which organizations like WWF are already working that can facilitate progress and address technical needs. We have lots of resources there. A government can look on organizations like ours as a resource, as a connection to actors that you may not have good connection with. Whether there is a financial relationship that is a secondary issue, but I am happy to talk about it.

4. JCM

(Dr. Ma) Peter, you brought up a very interesting and important message. A lot of NGOs, as you just pointed out, are more in touch with the providers and the recipients. I think that the NGOs also can play a very important role in mainly the grassroots. We look forward to further engagement and strengthening of this civil society group on the ground.

Now I would like to move to Dr. Mitsuo Matsumoto and a question from the floor. Regarding the Joint Crediting Mechanism, I expect somehow there is a risk of double accounting in the Joint Crediting Mechanism. How do you address this risk of double counting in the Joint Crediting Mechanism? The second is, within the Joint Crediting Mechanism, how will the price be determined? This is maybe one of the top questions.

We learned from Bambang Supriyanto that many of the tropical countries are looking forward, not yet to REDD, but they are looking forward to inclusion of the REDD within the Joint Crediting Mechanism. I would like to ask Dr. Matsumoto to answer these questions.

(Dr. Matsumoto) The elimination of double accounting is part and parcel of these kinds of schemes. That is why I did not cover this as a major point in my presentation. I think that avoiding double accounting is absolutely necessary. This is an essential part of this kind of project. The project documents should clearly explain how to avoid the risk of double accounting.

Pricing mechanism under JCM: this is related to the overall JCM mechanism, so I cannot go into the details. However, as I discussed earlier, JCM is not simply the purchasing of credits. At the very beginning, half of the cost of the initial stage will be provided through the JCM. Also, how do we do the generated credits? I explained that the credits would be shared. I think this is yet to be finalized, but, in my opinion, I would say that at the time the subsidy is provided, the initial investment will be compensated by credits. I think the rest will be owned by the project itself.

Of course, prices are determined by us and the purchasers. The $1.00 per ton, if the present level continues then we will face a huge problem in the future. I think we need to create a certain environment where the purchasing of credits is absolutely necessary. That is why the JCM should be utilized for the emission reduction targets starting in 2020 and beyond. For Japan, for example, let us say that 3% should be ensured from REDD+. If that is formally announced by the Government of Japan then I think this would be a huge impetus. I think that people from the private sector represented today in the audience have exactly those kinds of expectations towards the future. The demand for credits needs to be created.

As was discussed in the morning, JCM itself will not be enough for necessary financing. I think that would be an over-expectation. Multiple numbers of fund sources should be combined. Of course, that would include the capacity building programs or ODA-type projects provided by JICA. The appropriate mix of funding sources would be necessary for management. We would have an initial investment phase and maturing phase. Then, with the passage of time, the mixture of the funding sources would naturally change as we already saw from the presentations in the morning. I think that was a very important message. In this process I think JCM should play a certain role. The government and the private sector should bridge the gap using many methods including JCM. I think that would be the appropriate role of JCM.

5. Priority Technical Issues for Developing Countries

(Dr. Ma) I would like to pick up one question to Maria Sanchez. Maria, in order for a developing countries to have access to results-based payment do you think which technical issue/subject should be solved as a priority? Can you identify the priority technique to be solved by the developing country?

(Dr. Sanz-Sanchez) It depends on where the finance comes from. I am happy to hear more and more in interventions that we will need a mix of finance and the markets would not solve everything, because that is exactly what we failed in the Kyoto Protocol approach to markets.

I need to start my answer to you through a reflection. If we continue with a mindset of Kyoto and we think on the history that led us to have a market failure you would think that there was no Annex-1 trading scheme that was trading emission reductions or carbon or things at all. There was absolutely no one. Even the biggest emissions trading scheme, which was in the European Union, refused explicitly to do so. Therefore, all of the emission reductions and all the enhancement of things were domestic measures that the country was using for fulfilling its commitments. We learn from history. I think we should be focusing differently now because, otherwise, we will repeat the same mistake. That is why, I repeat, that I think this is innovation in how the private sector could be engaged in a multi-spectrum. It could be more appropriate than just thinking on the carbon as a commodity standing alone. I think that was the mistake in the past and we have to avoid that.

Technically speaking, if you focus on the carbon standing alone commodity the technical challenge is to demonstrate that the carbon stands there or the emission reduction happened or enhancement happens. It means that you have to invest in constructing a robust system that will allow you to measure that and therefore to have a credible unit for trading. This is the technical challenge you have. You treat carbon as a standing alone commodity, which was the challenge we already had before, and I have to say that even developed countries had tremendous challenges on measuring, reporting, and verifying those units. If you go towards more of diverse and innovative approaches, probably the technical challenge is to be to pass on those bits and pieces and still demonstrate that there is an impact into the climate mitigation.

That will probably allow for less robustness in terms of very technically accurate systems, but more robustness in terms of sustainability and coping with real challenges. How we will do that, I do not know. However, it is true that many countries that are starting to design monitoring systems for forests are starting to realize also that carbon is important and is the main variable that they have to measure. However, other information is also relevant because it will hurt them to create this sort of more enabling environments to apply policies and measures and try to understand why this particular measure made an impact and the other one did not and therefore correct on the way. I think we are facing a much more challenging landscape. We have to be very careful not to move too fast to that and sort of try to prescribe too early, which I think it cannot happen in Paris

Paris is a very important step, but given the maturity of the discussions, I do not think Paris can really nail down the details. What we have to ensure is that there are sufficient elements in Paris that will allow for a proper development of the flexibility we need while still recognizing what is being done on REDD+. I know it is easy to say, very difficult to do. However, maybe three words in a text of 30 pages can make it if the three words are properly hooked in there. However, do not expect that anything very, very complex or very detailed will be in Paris. This is because, if this happened for REDD, it probably will be just firing back because we will have something evolving in isolation of this sort of boarder environment. Technical challenges differ depending on what your focus is, but just broaden the focus on and try to confront Paris in a much more positive spirit.

(Dr. Ma) I think we talk about readiness and financial readiness, but things like technical readiness are important in order to move forward. I believe that the technical issues also can be further developed. Particularly, I had the pleasure to work with REDD Research and Development Centre. This center published the REDD+ CookBook, which is translated in several languages, including Spanish. This is one of the interesting developments. The technology can move forward to address certain issues. That is the nature of our objective and the institution can move forward.

6. Policies Before/After 2020

(Dr. Ma) Now I will address some of the issues. I picked three questions, and now I would like to move to second part. Last year was very critical, but this year will be more critical. There are many important international events, particularly the financing, the sustainable development, and the last maybe is Paris and climate change. I think the three are the most important. Think about opening the idea to our attention, and what would be some of the outcomes of this coming Paris COP21?

In order to do, I will pose some more questions. William Sunderlin referred to question one, and may I ask question two from panel member? The second question is how can strong demand for REDD for intermedium until 2020 and also beyond 2020 be stimulated? That is my second question. I would like to ask Gabriel Eickhoff to share his perspective on the demand side.

(Mr. Eickhoff) When we are talking about demand, I will refer to markets, although theoretically we could do this within funds as well. If we took the market idea back to 2007 or 2006, this seemed like a great idea because we had a lot of time. Suddenly, it was 2015 and we are still trying to get things up and running on the market side. If we wanted to stimulate demand between now and 2020, we have five years to do it. It is not the time to create new markets. It is the time to exercise the technical knowledge that we have and the mechanisms that we know exist now and foresee as well as we can where we are going to be by 2020 in order to create that demand. This means doing, in one part, the impossible, which is getting governments to signal ahead that they are going to be open to markets and roughly what the volume of those markets might be. This would compromise their position within the negotiations, but that would help.

Secondly, we would need to be able to have clear and efficient policies within the countries that are trying to do REDD, not necessarily to make demand, but to produce commodities, get them out there, get them seen, and have the fear-factor taken away from them so that demand can actually not be thwarted by a fear of what those commodities are. In other words, if the key countries that are playing are planning on participating in markets, you can get clear policies and laws on the table so that the projects themselves can get up and going. Then governments might take a step back and say, “All right, let us try to accept this type of credit into this trading scheme or into this cap and trade system. Let us look in California and see if things can get going there because we have seen a demonstration of how these credits actually look, how they work, and what they look like in the real world.” If we can get a demonstration of what the product is then maybe demand will pick up. If we can get a signal about what the markets are going to be domestically and what the purchasing power of the international markets might be, then obviously that is going to pick up demand for others as well.

(Dr. Ma) It was an important point there. There are two sides. One equation is providing the developed country an expansion of a new market. Also, the other equation is from the host country and a clearer demonstration of this strategy and whether it has worked. It is a very important observation.

7. REDD+ in post-2020

(Dr. Ma) I would like to move to question these. What are the challenge is to be overcome for the inclusion of REDD as one of the core components of the post-2020 global climate change agreement? I think that this is a very broad question, but I learned today from panel members that they used to have many careers. I learned that from Peter Graham and also from Maria Sanz-Sanchez. Before joining, although we had a lot of experience but starting from the government, as a former delegate and negotiator from government, Peter Graham, you have the memory of your expectations regarding this negotiation. I would like to ask Peter Graham and then I would like to encourage Maria to also share some of your views regarding this equation.

(Mr. Graham) Yes, there has been a long history in negotiations. I think Maria started before I did. She actually answered some of this already. What are the challenges to be overcome for the inclusion of REDD as one of the core components of the new agreement? I am not sure what we mean by ‘core’, but it is already in the current text that is being negotiated in the next round of negotiations starting next week in Geneva. The problem is that there will be a process of making sense of that really, really messy text that we have right now. In there are a number of references to the Warsaw framework for REDD+, basically recognizing that there is an incentive mechanism for achieving reduction of emissions from deforestation, forest degradation, et cetera.

With the recognition of the Warsaw framework, in the appropriate part of the text so that people read that, "Okay, this is part of developing countries or everybody's responsibility to address mitigation in developing countries," then it is there. As Maria said, the next step is connecting it operationally to the different financial mechanisms, and the question of the role of the markets. Coming out of Lima, that is actually the bigger question. How will the new agreement recognize a framework of various approaches to market mechanisms or to markets? I would agree with the comments that were made before that a central market under the UN as the CDM is not likely to be the main game in the new agreement. As far as I see it, at this point, it is more of a bottom-up approach from different countries and jurisdictions.

Other challenges are just in the process of negotiations. Compared to my experience coming up to Copenhagen where there were a few countries with great expectations, but there were many countries who felt that this is not going to happen. That was a year-and-a half before Copenhagen. I have to say that, from my perspective, the mood is different coming into Paris. The expectations are as great but the approach seems to be more realistic and countries are moving faster than they did towards Copenhagen, and within that, highlighting the importance of 25% of global anthropogenic emissions from land sector. That is something that the government delegations need to be reminded of. While we do not need to get into the details, a lot of the rules and methodologies have been agreed in previous decisions and we need to make sure that this valuable or significant source of emissions is addressed appropriately.

I do not really have much more to say in terms of addressing the challenges. I will just add one point that is related to what Gabriel was talking about. Governments need to signal ahead. By the end of March, the governments are supposed to provide their intended nationally determined contributions (targets) and supplementary information. That is exactly where the information that Gabriel was talking about should be provided. We need to know if countries are going to be using international market mechanisms to meet a domestic target. If not, what they are going to do to meet their commitment under Copenhagen to mobilize funds to address mitigation and adaptation in developing countries including REDD+?

One example is to specify a joint mechanism where they will commit to a certain percentage of emission reductions in developing countries by a certain year or something like that. From my perspective, it is more valuable to put a tonne target in that as opposed to a dollar value because then it is more of a useful metric for us in terms of gauging how big a gap we have in meeting the two degree goal.

(Dr. Ma) You made many good points. In the land sector, about the 25% of the emission proportion, so the core component means maybe more like the recognition that this is important, that forest represents the largest effective climate solution. However, this may be realized as a core component. That is the core meaning of this one. Can I ask for Maria's view on this negotiation aspect?

(Dr. Sanz-Sanchez) I agree with what Peter said. I think that it is important to recognize that those countries that William was asking me about that are in the driving seat are also willing to use this sector for their commitments because they are thinking in committing. There is going to be a tension in between developed and developing countries on how this sector could be used. I do not think this could be resolved in Paris. That is why I do not think they can go into very much detail, particularly in the early times because it is going to be much cheaper to achieve targets through this sector in the early times than with other sectors. I think developing countries that are thinking of committing maybe in a soft manner, they are already realizing that. We may face this challenge of this tension.

I think negotiations are sometimes unpredictable. You never know what is going to come out of the room in two hours. However, what is also true is that REDD is already there and I think we should not forget that. REDD is going to be there. If we try to go too much into linking at too early a stage, we may do the wrong linkage. Therefore, we may jeopardize the potential of REDD in the future. I understand that everyone is very keen on seeing REDD everywhere in the text, that the Warsaw framework is recognized, that we should already indicate where are the linkages with future markets, but I doubt that future markets would be defined in Paris. I will be sort of saying that the challenge will be to keep the right balance in the text to ensure that REDD is recognized. However, there is still enough room to properly nest REDD into broader finance in climate change.

That is I think is the biggest challenge in Paris, and this tension that is starting to really rise. Countries like Mexico and Ecuador are seeing the potential benefits to use this sector for their own commitments. I think they are interpreting in many cases all these bilateral arrangements and so on as incentives for them to do that, not as buying carbon. This is something which popped up last year quite in many cases. They understand that all this REDD finance now is incentives and then the carbon is their carbon and they will use their carbon as they wish. We have to keep in mind these things.

(Dr. Ma) For this hour discussion, I formulated six questions and it was very interesting to receive the feedback from our distinguished panel members. You are so much advanced many of the aspects of scaling up all of the attention and the issues of this. I appreciate very much your wonderful contribution to this important discussion panel.

DAY1
Session 4