



## Noteworthy REDD+ and Land-use Carbon Sector Developments

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### *Terra Global Capital News*

#### **Terra hires Kevin Brennan as Portfolio Manager**

Terra has hired Kevin Brennan from Natsource Asset Management where he was a carbon portfolio manager on the Natsource Carbon Asset Pool (NAT-CAP), a CDM-focused capital pool. With 10 years of previous experience in the financial sector, his expertise spans investment analysis, project finance, capital raising and alternatives fund set-up. He is a Chartered Financial Analyst (CFA) and initiated his interest in environmental economics through a Masters of Environmental Management in Sydney, with a focus on climate change and natural resource economics.

Kevin joins the other members of Terra's investment team with extensive finance and carbon project development experience. Leslie Durschinger founded Terra with the mission of facilitating capital markets for forest and land-use carbon, and has over 20 years of derivatives and financial sector experience. Terry Vogt has more than 25 years of international industry, investment banking and development finance experience.

### *Terra Global Capital News*

#### **Environmental Finance's *Forest Carbon and REDD+* Webinar series produced in association with Terra Global Capital**

Environmental Finance publication in association with Terra Global Capital will produce a series of four webinars covering the technical aspects of developing and investing in REDD+, commencing February 24<sup>th</sup>. As a contact of Terra Global Capital, you are offered a 10% discount using the promotion code FCRW11/TGC/10. Full details and registration are available at: <http://www.environmental-finance.com/events/view/28>.

### *Sector News*

#### **REDD+ at Cancun**

The annual UN COP meeting in Cancun was eagerly anticipated for the future of the REDD+ regulatory framework.

The Cancun Agreement was positive for the REDD+ sector since it includes a high-level framework defining host country participation in REDD+ projects. It allows countries with institutional frameworks established to move forward and those not there yet to continue to prepare. The Agreement lays the foundation for future market mechanisms and urges - but does not commit - developed countries to support "results-based" national REDD+ programs and demonstration activities. Explicit mentions of market mechanisms were omitted given Bolivia's lone opposition. However, the Agreement commits to consider the set-up of one or more market mechanisms at COP17 in Durban at the end of 2011.

While the level of design under the UNFCCC has not become detailed, an important IETA side-event focused on nested REDD design. Nested REDD is critical to creating a pathway from project to jurisdictional accounting, and for stimulating private sector inflows. Terra Global Capital wrote a research paper in 2010 for the Governors' Climate and Forests Taskforce<sup>1</sup> on nested REDD design. We will continue to provide input to regulatory developments where possible.

## **Sector News**

### **More on California Cap and Trade**

In our December newsletter, we drew attention to the California Air Resources Board (ARB) initiating Rule Making for its state-wide Cap and Trade Programme under the Global Warming Solutions Act, AB32. Since then, the proposed regulation order was approved in a 9-1 vote on December 16<sup>th</sup>. With the launch of the programme, California will become the second largest emissions trading market globally with Point Carbon forecasting a market value of \$1.7 billion next year and \$10 billion by 2016.

This endorsement was perhaps the most important development for REDD+ in 2010. As a cost containment mechanism, the regulation order states that offset credits will be allowed from two sources: i) U.S. offsets credits as issued by ARB-approved protocols, including two U.S. forest protocols<sup>2</sup>, and ii) international sector-based credits if recognised under ARB-approved offset programs. **Within the latter, REDD is the only sector-based credit to be specifically included**, with other sources of sector-based credits still to be decided.

This news bolsters California's reputation as the leader in REDD+ at a sub-national level through creating global sub-national partnerships and blueprints for carbon activities in REDD+ programmes. Legal challenges are expected through this year, however. On commencement, the programme will become the first compliance regime to accept REDD+, inducing the development of detailed rules and first price signals in traded REDD offsets. The ARB has announced a series of workshops to develop detail (including on offsets protocols) ahead of public comment periods for regulation change notices and planned finalisation of the regulation in the autumn.

Link to Proposed Regulation: <http://www.arb.ca.gov/regact/2010/capandtrade10/capv1appa.pdf>

Link to Staff Report "Initial Statement of Reasons":  
<http://www.arb.ca.gov/regact/2010/capandtrade10/capisor.pdf>

Link to ARB Timetable of Cap-and-Trade Programme Activities:  
<http://www.arb.ca.gov/cc/capandtrade/capandtrade/programactivities.pdf>

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<sup>1</sup> A sub-national collaboration between 16 states and provinces from the United States, Brazil, Indonesia, Nigeria and Mexico.

<sup>2</sup> ARB staff recommended that four offset protocols are approved by the Board based on protocols initially developed by the Climate Action Reserve (CAR) and its predecessor the California Climate Action Registry (CCAR): Urban Forests Project Protocol, U.S. Ozone Depleting Substances Projects Protocol, Livestock Manure (Digester) Projects Protocol, U.S. Forest Projects Protocol.