

US Support for REDD+: Reflections on the Past and Future Outlook

Michael Wolosin and Donna Lee

Abstract

The United States, as a nation with a strong connection to its large land base, has been a supporter over many years of forest management and conservation. Because this long-held vision is shared across a broad spectrum of the US public, the United States has been a strong supporter of using foreign assistance to also help other countries protect their forests.

US views on forests as they relate to climate change, however, are more complex. The emergence and continued prioritization of forest protection and restoration in international climate negotiations has largely been welcomed by recent US administrations. However, two key routes available for increasing US funding for international forests – assistance and regulation – are both challenging. Increasing development assistance is a political challenge because of continuing concerns over the fiscal health of the US economy, and using such funds to pay other countries directly for forest emission reductions also faces operational challenges. Passing new legislation through Congress is unlikely for some years given Republican opposition to climate

policies. These difficult “big-P” Political issues strongly determine the existence and amount of US investments in international forests, while the “small-p” politics of US constituencies including NGOs and the private sector shape that investment.

However, while challenging, political winds in the United States can change quickly and opportunities for international forest finance may present themselves in the coming years. A shift in the Republican party to more moderate views or efforts to move towards results-based foreign assistance more generally could benefit climate change-related assistance, as emissions are quantifiable metrics. Regulation under existing authority could have the potential flexibility to include international mitigation. Finally, businesses that have made public pledges to deforestation-free supply chains are keen to align policy approaches with such pledges, and could breathe new life into support for reducing emissions from forests.

Center for Global Development
2055 L Street
Fifth Floor
Washington DC 20036
202-416-4000
www.cgdev.org

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Foreword

This paper is one of more than 20 analyses being produced under CGD's Initiative on Tropical Forests for Climate and Development. The purpose of the Initiative is to help mobilize substantial additional finance from high-income countries to conserve tropical forests as a means of reducing carbon emissions, and thus slowing climate change.

The analyses will feed into a book entitled *Why Forests? Why Now? The Science, Economics, and Politics of Tropical Forests and Climate Change*. Co-authored by senior fellow Frances Seymour and research fellow Jonah Busch, the book will show that tropical forests are essential for both climate stability and sustainable development, that now is the time for action on tropical forests, and that payment-for-performance finance for reducing emissions from deforestation and forest degradation (REDD+) represents a course of action with great potential for success.

Commissioned background papers also support the activities of a working group convened by CGD and co-chaired by Nancy Birdsall and Pedro Pablo Kuczynski to identify practical ways to accelerate performance-based finance for tropical forests in the lead up to UNFCCC COP21 in Paris in 2015.

This policy paper, "U.S. Support for REDD+: Reflections on the Past and Future Outlook" by Michael Wolosin of Climate Advisers and Donna Lee, was undertaken as one of several case studies to illuminate the politics in rich countries surrounding the provision of results-based finance to developing countries to reduce deforestation. The paper is intended to provide an analysis of how various interests and constituencies have shaped U.S. financial commitments to REDD+, and opportunities and constraints on future forest-related funding in the broader context of U.S. climate finance.

Frances Seymour
Senior Fellow
Center for Global Development

Jonah Busch
Research Fellow
Center for Global Development

Executive Summary

The United States, as a nation with a strong connection to its large land base, has been a supporter over many years of natural resource management and forest conservation, both domestically and abroad. President Theodore Roosevelt, at the turn of the century, recognized the value of protecting natural resources to avoid “*undermining in the days of our children the very prosperity which we ought by right to hand down to them*” and worked to place over 230 million acres under federal protection, including many forested lands. This long-held vision is shared across a broad spectrum of the U.S. public, including Republican and Democrat alike. For this reason, the United States has been a strong supporter of using foreign assistance to also help other countries protect their forests.

U.S. views on forests as they relate to climate change, however, are more complex. The emergence and continued prioritization of forest protection and restoration in international negotiations under the United Nations Framework Convention on Climate Change (UNFCCC) as a means to sequester carbon emissions has largely been welcomed by recent U.S. Administrations as a general policy matter—forests in the United States have sequestered around 10% of gross national greenhouse gas emissions in the past two decades. However, one of the most important players on the climate change issue, and what the United States can contribute to global warming, is the U.S. Congress, which is polarized on the issue.

Furthermore, when it comes to consideration of international transfers to support emission reductions from forestry abroad, the picture becomes even more complicated and involves multiple constituencies. NGOs both support and oppose such measures, with land and wildlife conservation groups very supportive, environmental advocacy organizations generally prioritizing other climate change solutions and split on policies to reduce forest emission, and international development organizations often approaching forest-based climate solutions as a threat to local and indigenous peoples. Private sector players engage when their interests are at stake, including those who hoped that REDD+ would provide a potential cost savings (emitters), a business opportunity (project developers) and,

more recently, companies who see REDD+¹ as a risk-mitigation tool to protect reputations, support reliable supplies of raw materials, and help to meet deforestation-free supply chains commitments. These NGO and private sector constituencies have formed alliances when convenient and faced off when they disagree, leaving policy makers in Congress and various Executive Branch agencies balancing multiple priorities and responding to their core constituencies.

While the United States has been a consistent supporter of international forest conservation through the use of foreign assistance, increasing funding for REDD+ will be a challenge. While a growing percentage of Americans believe that climate change is real and that something should be done, few consider it a policy priority. The two routes available—through regulatory means or through official development assistance (ODA)—face uphill battles due to higher-profile and more contentious policy debates than the small skirmishes in the NGO communities outlined above. A regulatory mechanism relying upon comprehensive climate legislation such as a carbon tax or the proposals that failed in Congress in 2010, is unlikely for some years given Republican opposition to climate policies. While proposed or new regulatory mechanisms under existing laws could potentially generate REDD+ funding, they do not currently do so—and are likely to face many years of legal challenges regardless. Increasing ODA is similarly a political challenge, as strong concerns over the near and long-term fiscal health of the U.S. economy have resulted in rancorous budget battles in Congress. Most Americans want the deficit cut, but not the benefits they receive, such as social security or health care, meaning other portions of the budget (e.g. international assistance) will remain under strong pressure for years to come.

Furthermore, beyond the difficulties of expanding the budget for international forestry, using development assistance funds to pay other countries directly for forest emission reductions they have achieved faces operational and political challenges. While U.S. foreign assistance funding has been used to support pay for performance

¹ REDD+ is a term used to denote the UNFCCC concept of “reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, the sustainable management of forests, and enhancement of forest carbon stocks”.

mechanisms, such usage is not widespread, often comes with conditionality (i.e. not pure cash on delivery systems), and only in one instance has been intended to pay for emission reductions—which could potentially be seen as contentious for some Congressional members. In the case of forest carbon programs, payments are typically made over a number of years, which can cause budget difficulties given the year-on-year appropriations process which requires setting aside the entire cost of a program up-front – making those dollars unavailable for other priorities in the meantime, and inflating apparent levels of government spending.

A carbon tax or cap-and-trade system is the best means to mobilize scaled up finance for emission reductions abroad—as such ‘credits’ can be seen as cost containment measures for American businesses. However, there remain mixed views not only on *what* the United States should contribute both domestically and internationally on climate change, but also *how*. Currently the Obama Administration is using Executive authorities in an effort to regulate emissions, but faces limitations. Comprehensive legislation to lower domestic emissions or put a price on carbon requires Congressional action and such efforts have, to date, failed. Furthermore, the politics on the horizon do not appear favorable to strong climate action in the near term. The Republican Party, which largely opposes climate action, has just gained seats in the House and won a Senate majority; and once campaigning begins for the 2016 Presidential elections, little can be done on political lightning rods—as climate change currently is.

However, political winds in the United States can change quickly. While admittedly the barriers to increasing funding for climate and forests are high, a few opportunities may present themselves in the coming years. A shift in the Republican party to more moderate views (to appeal to a broader base) or efforts to move towards results-based financing more generally for foreign assistance could benefit climate change related assistance, as emissions are measurable and quantifiable metrics. EPA power sector regulations under existing authority have the potential flexibility to include international mitigation, as California’s cap and trade program is considering. Finally, new engagement by businesses (such as the Consumer Goods Forum, particularly the U.S. companies involved) that have made public pledges to

deforestation-free supply chains, and are keen to partner with the U.S. Government to align policy approaches with such pledges, could breathe new life into support for reducing emissions from forests.

1. Introduction

The United States has been a strong supporter of the role that forests (and land use more generally) can play in climate change mitigation efforts. Reducing emissions from deforestation and forest degradation in developing countries² (REDD+) first entered the international stage and was accepted into the bloodstream of the United Nations Framework Convention on Climate Change (UNFCCC) negotiations in 2007. Over the past seven years, the U.S. has continued to support the concept of encouraging mitigation in the forest sector of developing countries, both politically and financially. However, views from various quarters of the U.S. Government on the best mechanism to achieve such an outcome—including a payment for emission reductions system or other means—have been both mixed, and have shifted throughout the seven-year time period. Furthermore, it is unclear whether the United States will significantly increase, or even maintain, its funding support for REDD+ in the years to come absent new political will.

U.S. foreign assistance priorities are influenced by domestic politics as much as (if not more than) international pressure and need. This is not unlike the case in most democratic systems and there is no reason to expect that this fundamental driver of international policy, i.e. domestic economic and political interests, will change in the future. In this context, this paper attempts to lay out the history of U.S. support for REDD+, reflecting on the key factors that have affected U.S. decision making related to REDD+ in the past seven years, as well as key political constituents that have played a role and, in some cases, continue to play a role in U.S. policymaking.

If past behavior is the best predictor of future actions, such reflections may provide a realistic expectation of United States support for REDD+ in the future. The final section of this paper explores the outlook for REDD+ financing, both opportunities and constraints, from the perspective of whether REDD+ is likely to be a U.S. foreign assistance priority, and the possibility of the United States to support

² UNFCCC Decision 1/CP.16 defined REDD+ as including: reducing emission from deforestation, reducing emission from forest degradation, conservation of forest carbon stocks, sustainable management of forests and the enhancement of forest carbon stocks.

performance-based payments for forest-related emission reductions in developing countries, the concept on which REDD+ has been formed.

2. History of U.S. support for REDD+

2.1 Support for the Emergence of REDD+

REDD+ rose to prominence on the global agenda at the UNFCCC 13th Conference of the Parties (COP-13), when it was placed firmly within the Bali Action Plan, an agreed international framework to negotiate a new climate agreement. As a long-time financier of international forest conservation³, the United States was largely supportive of efforts by a group of developing countries to create incentives within the UNFCCC for forest protection (and restoration)—as a way to contribute to climate mitigation, but also to receive finance. A study published⁴ in 2008, prior to the rise of climate finance, listed the top five bilateral donors to international forestry as: Japan, the Netherlands, Germany, the United States and Finland. This list has changed since 2008 with the advent of climate finance, as well as changing donor government priorities, but the United States still remains among the top five donors to forests and, in particular, to REDD+.⁵

The United States has also long been supportive more generally of incentivizing mitigation from the land use sector. It is worth noting that land use in the United States since 1990 has sequestered an average of around 10% of emissions from the energy sector—the largest source of domestic GHG emissions. More recently the land use sink has increased in importance (Figure 1). In 2012 (the most recent date of national GHG reporting) land use offset 15% of total U.S. gross emissions.⁶

³ United States engagement in international forestry stretches back to 1939, when the first budget authority was given to the US Forest Service to provide international assistance. In 1986, the Foreign Assistance Act made forest management and conservation an important part of USAID's mission. Since then, USAID's direct foreign assistance for forests has never dropped below \$50 million and has been supplemented by funding through the State Department and Treasury as well (see Appendix 1 for a detailed historical background).

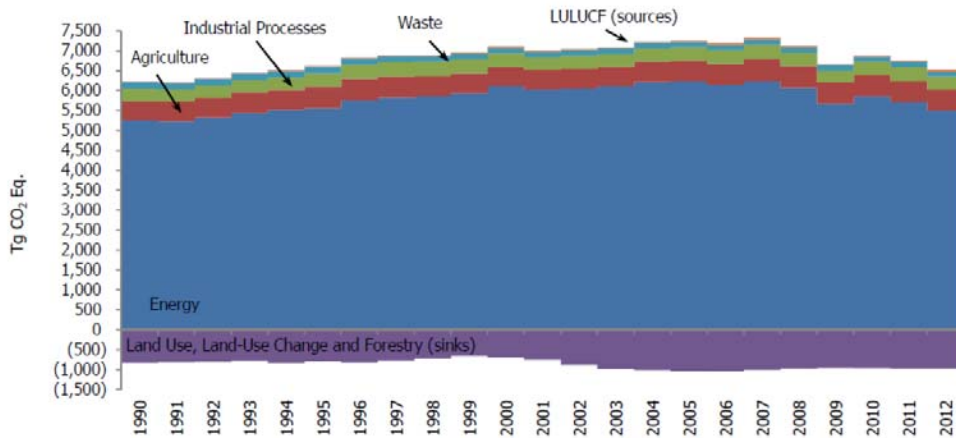
⁴ OECD Development Assistance Committee, *Measuring Aid to Forestry* (November 2008).

⁵ Prince of Wales International Sustainability Unit, *Interim REDD+ Finance: Current Status and Ways Forward for 2013-2020* (November 2012).

⁶ US Environmental Protection Agency (USEPA), *Inventory of the U.S. Greenhouse Gas Emissions and Sinks, 1990-2012* (April 15, 2014).

Forest land is the most important source of sequestration, comprising around 80% of the sink.⁷

Figure 1: US GHG Emissions and Sinks by sector



Source: Inventory of U.S. Greenhouse Gas Emissions and Sinks (April 15, 2014)

2.2 The Rise of Climate Legislation and Pressure at Copenhagen

The other main driver of U.S. policy related to REDD+ during its emergence on the world stage was the rise of climate legislation in the United States. The height of support in the United States for a comprehensive approach to tackling domestic GHG emissions occurred when the House of Representatives passed the American Clean Energy and Security Act of 2009 (ACES), also known as the Waxman-Markey bill. The vote occurred in June of 2009, passed by a narrow majority (219 to 212) and would have created a US domestic cap-and-trade system.⁸ Importantly, the bill included provisions that would have generated strong demand for international forest offsets potentially exceeding one gigaton per year (or about 20% of global net land use and land use change emissions), as well as a separate funding instrument setting aside five percent of the proceeds from auctioned allowances to support

⁷ Ibid.

⁸ After the House passed ACES, a similar bill would need to have passed the Senate by the end of 2010 and be signed by the President to become law. Senate legislation is discussed in Section 2.4 below.

tropical forests through a non-market mechanism, estimated to be about USD 3 billion per year average from 2012-2050.⁹

COP-15 in Copenhagen, held December 2009, was the year that countries were to come to an agreement on a new climate change treaty. Just prior to the meeting, in October 2009, President Obama traveled to Oslo to accept the Nobel Peace prize and met with Norwegian Prime Minister Stoltenberg. At this meeting, the two heads of state discussed climate change and efforts to reduce deforestation. Since COP-13 in 2007, Norway had been one of the most vocal supporters of REDD+ and had become one of its largest financiers. The meeting resulted in the first statement by the President on climate change and deforestation.

*“I appreciate that we can continue our cooperation when it comes to climate change, because we’ve worked together on halting deforestation, reducing deforestation. And that’s the way we can achieve the biggest, the cheapest and the fastest reductions in emissions.”*¹⁰ – President Obama (Oslo, Oct 2009)

Around the same time, the largest global emitters, including the United States, were under pressure to put a commitment to reduce GHGs on the table in Copenhagen. Just prior to COP-15, in November 2009, the White House issued a press release that said *“in the context of an overall deal in Copenhagen that includes robust mitigation commitments from China and other emerging economies, the President is prepared to put on the table a U.S. emissions reduction target in the range of 17% below 2005 levels in 2020 and ultimately in line with final U.S. energy and climate legislation.”*¹¹ This quantified pledge was based on the ACES legislation that had been passed by the House of Representatives.

In December 2009, President Obama attended the Copenhagen climate summit along with Secretary of State Hillary Clinton, Environmental Protection Agency Administrator Lisa Jackson, Energy Secretary Steven Chu, Commerce Secretary Gary Locke, Agriculture Secretary Tom Vilsack, Interior Secretary Ken Salazar, Council of

⁹ Unpublished analysis by the authors based on USEPA models.

¹⁰ www.whitehouse.gov/the-press-office/2011/10/20/remarks-president-obama-and-prime-minister-stoltenberg-after-bilateral-m

¹¹ www.whitehouse.gov/the-press-office/president-attend-copenhagen-climate-talks

Environmental Quality (CEQ) Chair Nancy Sutley and Assistant to the President Carol Browner—the highest level US delegation to an international climate change meeting. While the meeting did not result in a legally binding agreement, it did result in an Accord in which countries were encouraged to submit quantified economy-wide emissions targets for 2020. In January 2010, the US formally submitted its pledge of “*In the range of 17%, in conformity with anticipated U.S. energy and climate legislation*”¹².

2.3 The 1 Billion Pledge for REDD+

Part of the overall package agreed in Copenhagen was the “fast start finance” pledge, a “collective commitment by developed countries to provide new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010-2012”¹³. At Copenhagen, a number of developing countries with interest in taking actions to reduce emissions by protecting (or restoring) their forests had distinguished themselves as a constructive force in otherwise extremely contentious negotiations. In addition, REDD+ was seen throughout the years since COP-13 in Bali as the vanguard of climate negotiations, where developed and developing countries were able to make consistent progress, each year agreeing to a new decision, setting REDD+ apart from the otherwise rancorous and gridlocked debates in other negotiation streams.

In part due to this positive momentum on REDD+, a group of donor governments decided to make a specific financial pledge for REDD+ in Copenhagen, for the 3-year fast start finance period (2010-2012) on the order of USD 3.5 billion. This announcement included a USD 1 billion pledge from the United States. It was intended to demonstrate good will at the Copenhagen climate summit and provide positive momentum to negotiations. The U.S. pledge was announced by Agriculture Secretary Vilsack¹⁴:

¹²

unfccc.int/files/meetings/cop_15/copenhagen_accord/application/pdf/unitedstatescphaccord_app.1.pdf

¹³ unfccc.int/resource/docs/2009/cop15/eng/11a01.pdf (Copenhagen Accord, para 8)

¹⁴ Some have wondered why the U.S. Secretary of Agriculture was chosen to make an announcement related to U.S. assistance abroad. On the day that donors agreed to make the collective pledge public, Secretary

“Protecting the world’s forests is not a luxury – it is a necessity. This substantial commitment is reflective of our recognition that international public finance must play a role in developing countries’ efforts to slow, halt and reverse deforestation ... Protecting the world’s climate is one of the greatest challenges of our lifetime and forests have a vital role to play in overcoming this challenge.”¹⁵

- Secretary Vilsack (Copenhagen, Dec 2009)

While there were multiple analyses about the scale of need for REDD+ funding—driven mostly by opportunity cost analysis that generated large numbers in terms of future needs¹⁶—this analysis was not the driving factor in the level of funding commitments made for REDD+ by any of the major donors. Pledges were made, firstly, in the context of current ODA budget allocations and what additional amounts were domestically feasible; and secondly in the context of the expected fast start finance commitment from each country, and how REDD+ might comprise a portion. Each developed country was, at that time, calculating its own perception of its ‘fair share’ of the fast start commitment and considering how to meet that commitment in the context of domestic budget limitations.

This was also true in the U.S. case, where REDD+ funding was a part of a broader consideration for climate change efforts abroad. Earlier in the year, the US Government had created a new development assistance program around climate change—called the Global Climate Change Initiative (GCCCI)—structured on three pillars of support: clean energy, adaptation, and “sustainable landscapes” (the latter was intended largely to support REDD+), which significantly ramped up forest assistance (Figure 2). The Obama Administration’s proposed 2010 budget had, for the first time, included explicit international climate change support. However, in the ensuing years, in part due to the economic recession in the United States, Congress

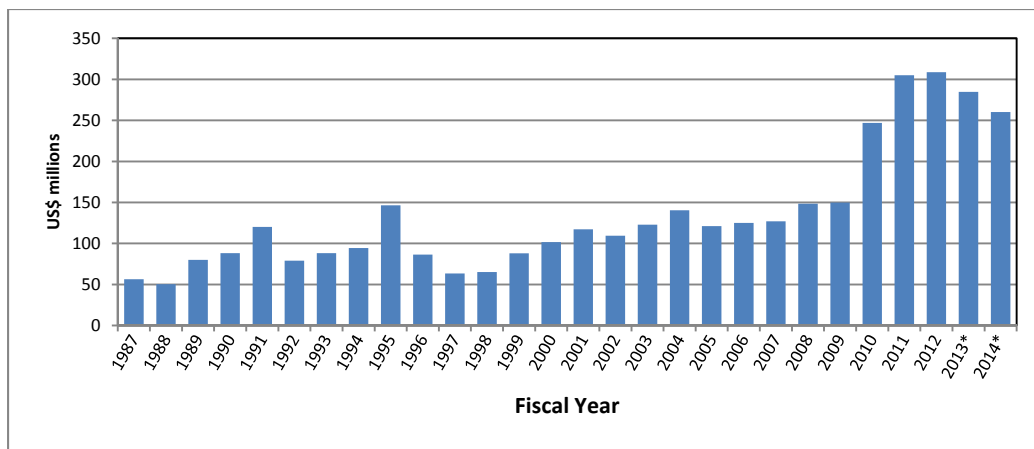
Vilsack was the highest level U.S. official available; it is also worth noting the US Forest Service is part of the Dept. of Agriculture.

¹⁵ <http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=2009/12/0618.xml>

¹⁶ The Eliasch Review (2008) commissioned by the Prime Minister of the United Kingdom, estimated “the finance required to halve emissions from the forest sector to 2030 could be around \$17-33 billion per year”. The Informal Working Group on Interim Finance for REDD (IWG-IFR) released a document on October 2009 that suggested if financing of 15-25 billion euros were available for the 2010-15 period, a 25% reduction in global deforestation rates may be achievable. Not all donors were in agreement with such figures and required the cover of the report to state that “*it does not formally represent the views of the member countries of the working group*”.

did not substantially increase the GCCI budget. And while the GCCI budget has remained basically flat since FY2012 (see Appendix II for details), the distribution of funding across pillars has shifted, with REDD+ decreasing about 27% from FY2012 to FY2014, compared to an 8% decrease in clean energy and a 35% increase for adaptation. In the end, the United States met its USD 1 billion commitment, but only by 2013, i.e. within a four, rather than three-year time frame as originally intended (see Appendix II, Table 2.2 for details).

Figure 2: U.S. funding for International Forests



Source: Climate Advisers analysis.¹⁷ *Estimate.

2.4 The U.S. REDD+ Strategy: Built in the Shadow of Uncertain Legislation

Returning from the Copenhagen climate meeting, at home in the United States, debate continued over domestic climate legislation as the Senate still needed to pass a bill similar to ACES for national legislation to move forward. Several had been proposed including the Clean Energy Jobs and American Power Act (2009, also called the “Kerry-Boxer bill”) and American Power Act (2010, proposed by Senators

¹⁷ Data through 2010 from Wolosin, Michael, US Forest-Climate Assistance: An Assessment (September 2012). To ensure comparability with early years, estimates for 2009 through 2014 include different categories of spending than data in Appendix 2. Notably, this chart includes all USAID forest funding (not just tropical forests); excludes funding from the Millennium Challenge Corporation and domestic agencies (that are included as indirect REDD+ finance in other reporting); and excludes State Department flows except for contributions to multilateral facilities (as estimates of State forest investments is unavailable in early years). There are many different ways of adding up U.S. forest and REDD+ finance; Appendix 2 goes into greater depth on U.S. REDD+ finance including why some estimates in the literature differ significantly.

Kerry and Lieberman), both of which included international offsets from reduced deforestation.

Throughout the debate on climate legislation, cost was arguably *the* single most important concern of legislators in the political center whose votes would determine the eventual outcome. Because of the prominent focus on cost, and both the real and perceived tensions between cost and ambition, cost containment measures such as offsets, safety valves, banking, and borrowing were hotly debated and under intense scrutiny. For bills under serious consideration by Congress, the U.S. EPA analyzed the costs, including any cost containment measures—for example, comparing the cost of compliance with, versus without, international offsets (most of which, as modeled, came from forests). From such analyses, EPA concluded that *international offsets are one of the most important cost containment features* of both the ACES and APA bills.¹⁸ It also signaled concern about the availability of such international offsets, specifically citing the importance of assumptions around the availability of REDD¹⁹ offsets.

These analyses, which demonstrated high allowance price sensitivity to the availability of international offsets, resulted in: (a) a strong signal of the need for capacity building in forest countries (in order to ensure an adequate supply of cheap credits that would provide cost containment); and (b) substantial business support for investments in forest countries. This concern focused attention on how the new USD 1 billion pledge for REDD might be spent—with an eye to ensuring that the demand that could be generated by future U.S. climate legislation would be met with adequate supply from developing countries. Analysis suggested a large gap between this potential demand and country “readiness”, or the capacities of developing forested countries to generate REDD credits. It was the view of many stakeholders in the process (including the White House, NGOs, and the private sector) that the U.S. would need to provide significant capacity-building investments to generate

¹⁸ For example, see EPA Analysis of the American Power Act in the 111th Congress (June 14, 2010). Found at: http://www.epa.gov/climatechange/Downloads/EPAactivities/EPA_APA_Analysis_6-14-10.pdf

¹⁹ The proposed climate bills in both the House and Senate contemplated international offsets from avoided deforestation, potentially to be defined to include forest degradation and soil carbon losses, but did not generally allow for offsets from international forest sequestration or enhancement of forest carbon stocks.

sufficient REDD credits to serve the cost-containment objectives in pending domestic legislation.²⁰

It is in this context that, in early 2010, the White House (facilitated by the National Security Council and CEQ) led an interagency process to begin developing a REDD+ strategy that would outline how the U.S. Government would allocate and invest the USD 1 billion dedicated for REDD+ as announced in Copenhagen. At the time of drafting, many in the U.S. Government were aware of the uncertain nature of legislation (and dimming prospects in the Senate), and created the strategy with the intent to withstand multiple domestic outcomes. The strategy also took account of the international progress and direction on REDD+. As illustrated in the Box below, the strategy had a three prong approach that supported: (1) the development of an international REDD+ architecture; (2) REDD+ ‘readiness’ or supporting countries to prepare to participate in future markets; and (3) REDD+ ‘demonstration’ of actual achievement of emission reductions. The domestic context at the time of drafting may have provided a more forward-leaning atmosphere on creating demand for REDD+ credits that no longer exists today given the defeat in the Senate of comprehensive climate legislation.

The U.S. REDD+ Strategy: 3 Objectives

- 1) Creating and supporting an efficient, effective and coordinated international system to help countries deliver REDD+ outcomes;
- 2) Helping countries become ready to participate in pay-for-performance programs and take complementary domestic actions. Investments will help countries become ready at the national level to undertake actions at a scale that can significantly reduce emissions or increase sequestration, enable access to pay-for-performance financing, including future carbon markets, and meet ambitious domestic mitigation commitments.
- 3) Achieving cost effective and sustainable net emissions reductions. Investments will support programs that achieve, or that demonstrate scalable approaches to achieving significant, cost-effective net emissions reductions.

The strategy was finalized and released in October 2010, just a few months after it became clear the Senate would be unable to agree on any climate legislation

²⁰ See Section 3 below for a deeper analysis of REDD+ stakeholders, including the discussion in Section 3.4 of stakeholder coalitions that informed the U.S. REDD+ strategy and the role of REDD+ in climate legislation.

proposals, and remains to this day a guide to budgetary decision making and programming design for sustainable landscapes funding. That said, there is significant discretion for USAID missions to decide which parts of the strategy to support and the strategy itself is written broadly enough to encompass a range of forest conservation activities. It is worth noting that its original focus during the fast start finance period was on forests—in part in an effort to meet the USD 1 billion pledge made for REDD+ at Copenhagen—but the more expansive notion of forests as one part of a broader set of land mitigation options was built in from the start to allow USAID even greater flexibility in the future to fund a range of land use related mitigation activities. In 2013, the Sustainable Landscapes program was expanded to include all landscapes, including farmlands, mangroves, wetlands, and others.²¹

3. The Politics of REDD+ in the United States

REDD+ is not a high profile issue in the United States, neither does it benefit from any driving political force. Domestic issues dominate international concerns, particularly within the legislative branch which needs to be responsive to local constituencies. This has resulted in, for example, the entire international affairs budget being less than 1% of the total U.S. federal budget, and a challenge to maintain this level in the current fiscal environment. Furthermore, climate change is a political minefield and within the international affairs budget, a drop in the bucket: only 1% is directed specifically to climate. U.S. investment in international REDD+ is, generally speaking, of current political importance about on par with its budget allocation (a quarter of one percent of one percent for those keeping score). On issues that cannot get traction in Congress such as climate change, the Administration (i.e. the Executive branch) is therefore left with exercising its existing authorities. That said, the United States is likely to continue some level of REDD+ finance, and will exert a continuing influence on the evolution of international climate and REDD+ policy. The “big-P” Politics described here may determine the existence and amount of REDD+ investment coming from the United States, but it is the “small-p” politics that we cover in this section that will shape that investment.

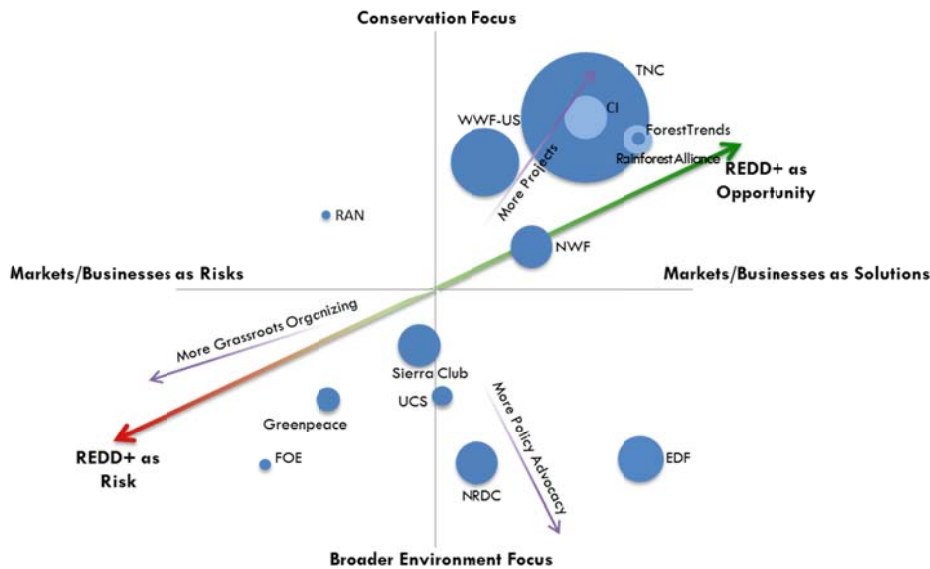
²¹ <http://www.usaid.gov/climate/sustainable-landscapes>

This section elaborates on the various groups of REDD+ champions within the NGO community, the private sector, and government, and the interests driving their support. We identify specific social and environmental risks and effectiveness concerns that drove some constituencies to be more cautious or oppose REDD+, with particular focus on the debate between offsets versus non-offsetting REDD+ approaches that still resonate today. Finally, we analyze how policy debates have been resolved in the past through consensus-building processes, how those consensus positions impacted the U.S. REDD+ strategy, and where the debates stand today. While much of this analysis is backward looking, the goal is not to capture in full the political history of REDD+ in the United States so much as to identify and explore the constituencies and interests that we believe will continue to play a role in REDD+ policy decisions in the coming years.

3.1 Key U.S. constituents in support of REDD+

As in all policy developments, U.S. government engagement in REDD+ as outlined above did not emerge only in response to events: a range of actors with different objectives have been, and remain, actively engaged with decision makers on REDD+. Key constituencies include conservation, environmental and international development organizations and think tanks and several foundations that support them, representing a wide range of policy positions on REDD+. Private sector players have also been active, including those who hoped that REDD+ would provide a potential cost savings (emitters), a business opportunity (project developers) and, more recently, companies who see REDD+ as a risk-mitigation tool to protect reputations, support reliable supplies of raw materials, and help to meet deforestation-free supply chains commitments. These constituencies have formed alliances when convenient and faced off against each other when their interests collide, with policy makers in Congress and various Executive Branch agencies responding to their core constituencies.

Figure 3: NGO Constituencies for REDD+ in US



Notes: Bubbles scaled to organization budget. Placement on main axes based on authors’ judgment and expert review.
 Conservation/Environment placement based on core mission. Market/Business axis aligns closely with position on offsets.
 Purple arrows represent apparent trends in terms of the primary tools utilized by the groups organization-wide.
 Red-to-green diagonal emerges as a general trend in organizational positioning on REDD+.
 Source: Climate Advisers analysis

Land and wildlife conservation NGOs with headquarters in Washington and New York, such as the World Wildlife Fund, Conservation International, Wildlife Conservation Society, and The Nature Conservancy were among the earliest REDD+ practitioners and constituencies, and continue to invest significant time and energy in REDD+ policy and programs. These organizations have for two decades identified climate change as a threat to their missions, potentially undermining decades of efforts to protect ecosystems, communities, and species. To these conservation groups, REDD+ presents an opportunity to mitigate the climate threat while also generating new political will and significant money from previously untapped sources to conserve some of the most bio-diverse and threatened forest regions on earth. For them, successful large-scale REDD+ would be the ultimate win-win, and their climate policy investments and staffing reflect the high priority they place on REDD+. These groups have been among the most effective pro-

REDD+ advocates at the federal level, bringing to bear a mix of on-the-ground experience in forest conservation, geographically and politically diverse memberships, powerful networks in business and academia, and sophisticated government relations professionals.

Several influential *US-based environmental advocacy NGOs* have also at various times invested significantly in REDD+, and were among the earliest REDD+ policy innovators often in partnership with the conservation NGOs above. This has included the Environmental Defense Fund, Natural Resources Defense Council, Union of Concerned Scientists, Sierra Club, and several others. Compared to the conservation NGOs, the balance of interest driving these groups to support REDD+ has tilted toward climate objectives with conservation as an important co-benefit, which has influenced their policy preferences. With forests just a component of the broader climate agenda, the effectiveness of these environmental advocacy organizations in advancing REDD+ in the United States has varied widely and been largely dependent upon the existence and influence of internal champions.

Environment, climate, and natural resources *think tanks and research institutes* have also contributed to the intellectual development of REDD+, at times as advocates as well as information providers. These have included most prominently the World Resources Institute, Resources for the Future, the Nicholas Institute for Environmental Policy Solutions, and the Woods Hole Research Institute. The scientific and research credibility brought by these organizations has been and continues to be influential in shaping REDD+ policies and providing the fact base for supporters, if not in building broad political support for such policies.

The emergence of REDD+ was preceded, as well as accompanied by, the emergence of several *new forest-focused NGOs and alliances* that were and remain very closely engaged in U.S. policy. Most notably these include Forest Trends, a market-friendly NGO that works closely with the private sector; Avoided Deforestation Partners, a small but influential organization that has consistently drawn new high-level champions from business and government (including within the United States) into the REDD+ space; and the Verified Carbon Standard and the Climate,

Community, and Biodiversity Alliance, two non-profit organizations involved in standard setting for REDD+. Organizations with interests in certification of forest and forest-related agricultural products such as Rainforest Alliance have also become involved in REDD+.

A few *foundations* invested early and significantly in developing broad support for REDD+ in the United States and internationally, most notably the David and Lucile Packard Foundation and ClimateWorks. Together with the Gordon and Betty Moore Foundation and the Ford Foundation, they came together and in 2010 launched the Climate and Land Use Alliance to coordinate their global land use emissions strategies and grant making. The Alliance's strategy with respect to REDD+ has shifted over the past few years. Initially, their emphasis was on international policies such as creating an international mechanism that would value forests (and the carbon they sequester) and rallying donor country support including the United States. More recently, they have focused on advancing REDD+ objectives in key geographies and engagement of the private sector, particularly those responsible for deforestation through agricultural production and procurement.²² Throughout, they have maintained focus on the rights of indigenous peoples and communities, and have provided funding to groups with a wide range of policy approaches to REDD+, including those above identified as REDD+ champions as well as several organizations (discussed below) that challenge core elements of REDD+. When focused on US federal REDD+ policy, these foundations are very effective at advancing their objectives - bringing deep knowledge, deep pockets, strong networks, and experience identifying and supporting effective individuals and organizations.

The largest shift in U.S. REDD+ constituencies over the past few years has been in *the private sector*. Emitters such as American Electric Power and Duke Energy were very engaged in supporting REDD+ policies in the proposed comprehensive U.S. legislative vehicles of the late 2000's. These companies, among some of the largest emitters in the world, saw that market-based REDD+ policies could provide

²² <http://www.climateandlandusealliance.org/uploads/Overview%20CLUA%20Strategy%202016.pdf> and <http://www.climateandlandusealliance.org/en/about-us-en/what-is-en/mid-term-evaluation/>

a potentially significant cost savings if a cap-and-trade policy became law, and were very effective when they were willing to use their political clout to advance REDD+. With the failure of climate legislation, the immediate value of REDD+ diminished and these emitters, while still friendly to REDD+, have disengaged. A few corporations in high-visibility sectors such as Marriott International and the Walt Disney Company were also supportive of REDD+ in federal legislation. These companies view REDD+ primarily as an opportunity to take low-cost and public voluntary climate action. While they no longer engage significantly in U.S. international forest policy, these types of corporations continue to be the largest market for REDD+ credits through voluntary transactions (over 70%), motivated by corporate social responsibility and to demonstrate climate leadership.²³

On the other side of REDD+ market transactions are project developers, asset managers, and carbon market traders – another significant constituency actively engaged in U.S. REDD+ policy. These companies and their associations such as the Carbon Markets & Investor’s Association, the International Emissions Trading Association, and the Carbon Offset Providers’ Coalition actively lobbied Congress on the provisions within proposed climate legislation that would impact their businesses, including REDD+. The market and legal expertise these groups brought to the table helped shape offsets provisions in the legislation, but their effectiveness was limited by a growing suspicion (and political distancing) of markets and traders in the wake of the financial crisis of 2008. After climate legislation failed in the Senate in 2010, these players focused most of their attention on California’s cap-and-trade and on other countries with active or developing carbon markets.

As attention to REDD+ by emitters and carbon market players has waned, a new private sector constituency for U.S. government investment in deforestation reduction has emerged. Consumer-facing companies that purchase significant quantities of commodities linked to deforestation are being pushed by campaigning organizations such as Greenpeace and the Rainforest Action Network to clean up their supply chains. At the December 2010 climate conference in Cancun, The

²³ M. Peters-Stanley, G. Gonzalez, and D. Yin. 2013. “Covering New Ground: State of the Forest Carbon Markets 2013.” Ecosystem Marketplace. Washington DC.

Consumer Goods Forum (CGF) announced a pledge to work towards zero deforestation in the supply chains of four key deforestation drivers - palm oil, beef, soy, and paper products. The CGF recognized that meeting this commitment requires the action of governments as well as companies and, in this context, joined the U.S. Government to form the Tropical Forest Alliance 2020, a public-private-partnership that has expanded since its announcement in 2012 to include additional governments, companies, and NGOs to pursue a common goal. While the effectiveness of the Alliance and these supply chain actors more generally in advancing U.S. policy remains to be seen²⁴, they are the most visible and engaged private sector constituency in Washington today supporting federal engagement on REDD+.

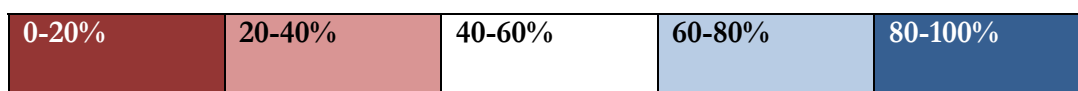
On *Capitol Hill*, there is strong support for forest conservation through the International Conservation Caucus, a bipartisan group Chaired by an even number of Republicans and Democrats, which is the second largest Congressional Caucus comprised of over one-third of the House of Representatives and over one-quarter of the Senate. However, support for conservation can wane when combined with climate change (as in the case of REDD+), particularly from Republican quarters. Therefore, a better measure, or proxy, of probable support for REDD+ (as there have been no specific votes about REDD+) are polls which take into account a broader set of environmental issues including climate change. Figure 4 below illustrates how Chairpersons (appointed by the Party in control and drive the legislative agenda) of key House and Senate committees voted on such a broad array of environmental issues (e.g. from support to big oil and climate change to clean water and wildlife protection). While a small but powerful group of Congresspersons and Senators have been supportive of investments in international REDD+ in the past, elections in 2010 resulted in Republicans taking over the House, replacing key Democratic Chairpersons with Republicans far less likely to be

²⁴ See for example the forest section of: Stakeholder Forum and NRDC 2013, *Fulfilling the Rio+20 Promises: Reinvigorating Progress since the UN Conference on Sustainable Development*.
http://www.nrdc.org/international/rio_20/files/rio-20-report.pdf

sympathetic to REDD+. Elections in 2014 have resulted in a similar takeover of the Senate.²⁵

Figure 4: The Politics of REDD-relevant Congressional Committees and Chairpersons

Lifetime LCV Scores²⁶ of Chairpersons in parentheses and by color as indicated below, i.e. percentage of times the congressional member voted in favor of environmental policy



| Session | 2009-2010 (111 th) | 2011-2012 (112 th) | 2013-2014 (113 th) | 2015-2016 (114 th) |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Key Senate Committees and Chairpersons | | | | |
| Senate Foreign Relations Committee | Kerry (91%) | Kerry (91%) | Kerry (91%) Menendez (94%) | Corker? (16%) |
| Senate Foreign Relations Subcommittee of Jurisdiction ²⁷ | Menendez (94%) | Menendez (94%) | Menendez (94%) Markey (94%) | Barasso? (11%) |
| Senate Appropriations Committee, State and Foreign Operations Subcommittee | Leahy (93%) | Leahy (93%) | Leahy (93%) | Graham? (12%) |
| Senate Environment and Public Works Committee | Boxer (90%) | Boxer (90%) | Boxer (90%) | Inhofe? (5%) |
| Key House Committees and Chairpersons | | | | |
| House Foreign Affairs Committee | Berman (88%) | Ros-Lehtinen (37%) | Royce (13%) | Royce (13%) |
| House Energy and Commerce Committee | Waxman (92%) | Upton (31%) | Upton (31%) | Upton (31%) |
| House Appropriations Committee, State and Foreign Operations Subcommittee | Lowey (93%) | Granger (6%) | Granger (6%) | Granger (6%) |

²⁵ While the Chairpersons for the 114th session is currently unknown, we show here the current Ranking Member assuming continuity in the next Senate, with one exception: Senator Inhofe is widely expected to chair the Senate Environment and Public Works Committee rather than Senator Vitter, who also scores 5%.

²⁶ The League of Conservation Voters holds elected officials accountable by publishing a “scorecard” on every member of Congress, tallying how they voted on a range of environmental legislation. <http://www.lcv.org/>

²⁷ The Subcommittee on International Development and Foreign Assistance, Economic Affairs, and International Environmental Protection.

3.2 Objections to REDD+

Specific objections to U.S. investments in REDD+ cluster around four core themes. First are questions of social risk – whether REDD+ would be good or bad for forest-dependent communities, indigenous people, and sometimes even economic growth and development of forest countries more broadly. Second are questions of (non-climate) environmental risk – whether REDD+ incentives would truly protect natural ecosystems. Third are questions of effectiveness – whether and how much REDD+ in its various forms could truly contribute to climate mitigation. Many pro-climate action and development groups opposed to REDD+ raise all three of these objections. While some see these challenges as surmountable through safeguards and appropriate financial mechanisms, others believe the flaws are fundamental and oppose REDD+ entirely – but either way, introducing doubt has been enough to make REDD+ seem less important or less of a “sure thing” than other international climate and development priorities. A fourth theme, invoked not just for REDD+ but for climate finance and international assistance more broadly, is an objection to international transfers.

Social risk has been the most consistent objection to REDD+ and has significantly influenced U.S. REDD+ support and policies. Groups that raise this objective cite concerns that, in many tropical forest countries, the government holds legal claim to most or all forest lands, with the rights of forest peoples and communities unclear, minimal, nonexistent, unenforced, or all the above. With insecure land tenure rights, many forest-dependent communities are displaced by private sector interests who see business opportunities in the forest, often abetted by corrupt government officials. Without significant advances in both legal and operational land tenure rights, how would REDD+ be different? There would be a global forest land-grab; carbon cowboys would swindle communities; governments would claim carbon rights and prevent traditional land management; well-financed businesses would dislocate people and erect fences around the forest, depriving communities of their rights, livelihoods, and cultures; rich countries would quickly buy up all the low cost mitigation available in poor countries leaving them to pay for more expensive mitigation later. Whether these concerns could be alleviated with appropriate policy

design and safeguards has been, and still is, debated. The NGOs and indigenous groups objecting on these grounds have had the ear of several important policymakers in Congress and in the Administration, and often added enough doubt about REDD+ that potential allies instead remained on the sidelines. Were REDD+ purchases to become possible again, these latent social risk concerns would likely re-emerge, and safeguards would be an important consideration.

Environmental risk is raised most strongly against some of the “-plus” activities defined as part of REDD+, including sustainable forest management. Organizations such as Global Witness expressed concerns that including managed forests in a REDD+ mechanism would provide perverse incentives to clear natural forests and grow monoculture tree plantations, potentially displacing communities and reducing their livelihoods. These concerns have played out in legislative language prohibiting Sustainable Landscape funds from supporting industrial-scale logging activities, in turn raising concerns within USAID about any program that might work with the pulp, paper, and timber sectors to reduce land use emissions.

The potential ***effectiveness of REDD+ has been consistently challenged*** since the concept was first introduced. In fact, the complexity in REDD+ rule making, both in U.S. legislative efforts and in the UNFCCC context, can be understood largely as a response to the power of these objections to shape policy. A few environmental organizations on the left that were particularly active in pushing for climate action were among the most strident in opposing REDD+ on effectiveness grounds, including Greenpeace, Friends of the Earth, and (early on) the Sierra Club. These groups took lessons from the Clean Development Mechanism of the Kyoto Protocol where some credits generated weren't real (i.e. called “hot air”). Furthermore, credits were not coming from the “right” developing countries (e.g. China), and were benefiting emitting companies that were part of the problem to begin with.

Several other groups challenged the effectiveness of REDD+ in terms of leakage risk – that protecting a forest in one place would simply lead to deforestation elsewhere. This debate has played out primarily as an argument about scale – whether emissions

reductions could be accurately assessed at the scale of a project, or whether assessment should be at the scale of an entire jurisdiction or even an entire country. Overall, these arguments that REDD+ essentially “doesn’t work” have been very influential in setting the tone of the debate in the US, with a simple message that is difficult to contradict without very complex details in response.

Objections to international transfers and investments were raised specifically with respect to REDD+ provisions in proposed comprehensive U.S. climate legislation,²⁸ and continue to be a limiting factor for any effort to increase U.S. REDD+ investments through foreign assistance budgets. While these objections apply to all foreign assistance and are not unique to REDD+, advocates in Washington glumly observe that, in some corners of Congress at least, “international climate finance” is a phrase with three dirty words put together. It touches on international transfers (some believe the United States cannot afford to send money abroad when there are domestic needs), climate change (some do not believe it is happening, or is beneficial, or is not a priority), and spending (in a tight and limited budget environment). One of the strongest counter-arguments—that REDD+ is not a transfer, but rather a purchase of something of value that is cheaper to import than produce at home—is only applicable to an offset mechanism, which would require navigating the offsets versus non-offsets debate (see Section 3.3. below). The growing support for REDD+ by private sector consumer goods companies to address deforestation in supply chains has also bumped into U.S. objections to international investment. One potential strategy—supporting increased productivity from existing agricultural lands (while limiting expansion of agricultural lands into forests)—in some circumstances may be prohibited by law.²⁹

3.3 The debate around offsets vs. non-offsets

Perhaps the most profound debate about the appropriate policies to ensure effectiveness of REDD+ occurred during the period in which climate legislation was

²⁸ “Bill gives billions to save trees in other nations.” The Washington Times. June 25, 2009. <http://www.washingtontimes.com/news/2009/jun/25/climate-bill-gives-billions-to-foreign-foilage/?page=all#pagebreak>

²⁹ The Bumpers Amendment restricts the provision of U.S. foreign assistance if that assistance would increase competition with U.S. producers, except in the case of food security, and has been interpreted very conservatively by USAID.

being discussed, including the use of offsets. As noted above, some groups objected to REDD+ regardless of funding mechanism. But some organizations that were pro-REDD+ (as a goal) took the position that, if REDD+ developed as a market mechanism that allowed the energy sector in rich countries to delay or avoid making significant investments in clean energy, then it would slow rather than speed the transition to a low-carbon economy and a safe climate. In other words, it would let rich countries, which caused the climate problem in the first place, off the hook. This would be especially true if there were a chance that any REDD+ tons would be “hot air,” making an offsets-based REDD+ mechanism a net negative for the atmosphere. Such organizations often argued that, even worse, offsets rely on the private sector, which would be more likely to trample on local land rights. The primary mechanisms that anti-offsets, but pro-REDD+, organizations put forward were large direct government transfers for REDD+ funded through the sale of auctioned allowances.

On the pro-offsets side, there were macro-economic arguments suggesting that fungible markets that include incentives for emissions reductions in sectors not covered by limits, both domestically and abroad, would allow for a global least-cost path to reducing emissions. There was also a question of scale – that market mechanisms such as offsets would be more likely than assistance to reach the multi-billion USD a year estimates that were, at the time, suggested as the scale required to significantly slow or halt deforestation.

At its core, the offsets vs. non-offsets debate in the U.S. came down to conflicting views on the use of markets to reduce global warming; whether the private sector can be trusted on sensitive land use issues abroad (or at all, for that matter); and whether climate is a global collective problem, who is responsible, and how to solve it. While this conflict reached a rapid boil in the run-up to climate legislation in 2009 and 2010, it has since quieted down to a simmer. With few potential carbon market solutions on the near term horizon in the United States, there is little to fight about. But the underlying conflict remains and any effort to significantly increase U.S. REDD+ investment may consider the politics of a specific proposal for generating the funds in light of this historical conflict. An offsetting mechanism could generate

finance at the needed scale, be supported by business, and overcome the “sending money abroad” objections, but could be undercut by objections from within the environmental and development communities. A transfer mechanism would avoid this conflict but also be unlikely to reach the necessary scale.

3.4 Consensus-building and influence on the US REDD+ strategy

In the 2009-2010 period, the debates surrounding REDD+ were resolved with sufficient agreement across a broad enough set of constituents to convince Congress to include very robust REDD+ policies in every serious climate bill. In part, REDD+ advanced because of alliances and political power, including the early pro-market Forest Carbon Dialogue and business-NGO multi-stakeholder dialogue through the US Climate Action Partnership that made offsets a key piece of the “center” climate solution. But to a large degree, consensus on key REDD+ specific issues such as social risks, environmental risks, offsets versus not, and project versus national scale was reached through direct negotiation (and some horse-trading). In a so-called “unity agreement” facilitated by Avoided Deforestation Partners and finalized in May 2009, a few of the less market-friendly groups such as the Sierra Club agreed to drop their objections to offsets, while pro-offsets groups including business coalitions agreed to support a significant amount of direct transfer funding for REDD+ to be generated by permit auctions. Project-level REDD+ was included, but only in some countries and only for an interim period before a required transition to larger geographic scales (jurisdictional REDD+). All agreed that social safeguards should figure prominently in the rules. The Tropical Forest and Climate Coalition, a group launched at the signing of the Unity Agreement, translated these policy positions from principles into legislative language that was adopted largely unchanged in both the House and Senate climate bills. The coalition has been mostly inactive since the failure of legislation in 2010.

The early REDD+ debates and negotiated détente still resonate in the US government’s REDD+ strategy and in approaches to REDD+ by current constituencies. The three part objectives of the strategy focusing on architecture, readiness, and demonstration reflected the agreement that project-scale REDD+ was

important as a demonstration, but that the mechanism should act primarily at national and jurisdictional scales. This preference for REDD+ actions at larger spatial scales remains and can be seen, for example, in the focus on jurisdictional level actions in bilateral and multilateral funding for REDD+, particularly for results-based finance, and in current supply-chain efforts, such as the Tropical Forest Alliance 2020. The Sustainable Landscape program's emphasis on government capacity building recognizes the importance of governance as a precondition for markets, and focused explicitly on building strong safeguards to avoid the types of social risks that concerned many stakeholders. Finally, included in the six criteria³⁰ for where to focus U.S. investments geographically was one that specifically cited market potential, or the extent to which the country or subnational location had potential to participate in REDD+ carbon markets.

4. Outlook for the future: Constraints and Opportunities for REDD+ Finance

This section now turns to the future rather than reflecting on the past. REDD+ finance faces an uphill battle in the United States. The overall economic environment is still fragile and despite signs of a recovery, many Americans have not benefited as incomes have stagnated, or even fallen, in real terms over the past decade. While a growing percentage of Americans believe that climate change is real and that something should be done, few consider it a policy priority. In addition, the use of foreign assistance funds for performance-based REDD+ payments faces operational and political challenges, described below. As with all politics in the United States, however, the future is unknown and the section concludes with several possible opportunities that may present themselves in the future for REDD+.

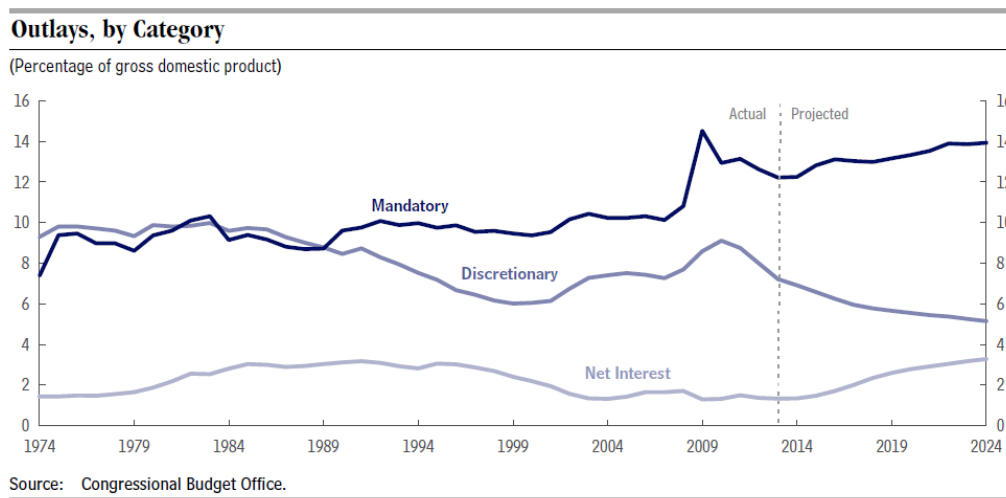
³⁰ The six criteria for funding REDD+ readiness and demonstration investments in the original REDD+ strategy were: market potential, mitigation potential, political will, selectivity (i.e. where U.S. engagement has a comparative advantage or could leverage additional resources), coordination with other donors, and (In the case of demonstration activities) demonstration potential.

4.1 Challenges to scaling up REDD+ finance and paying for verified emission reductions

4.1.1. The political realities of funding REDD+ with the U.S. Government budget

Not only will raising the level of support for international forests be difficult, but in the face of overall budget pressure, simply maintaining current levels of support for international assistance more broadly, and climate finance more specifically, will be a challenge in the near to medium term. The United States budget is divided into mandatory spending, discretionary spending and interest on federal debt (Figure 5). Mandatory spending—90% of which is social security, unemployment, health and Medicare (health insurance largely for older Americans)—is politically difficult to reform and will rise with an aging population (Figure 5).

Figure 5: Expected budget outlays by category to 2024³¹



That leaves discretionary spending, which includes, for example, the military budget, education, funding for the government and international assistance. These funds go through an annual appropriations process in Congress, which has the authority to set the level of such spending. Cutting the fiscal deficit remains one of the most

³¹ Congressional Budget Office, The Budget and Economic Outlook: 2014-2024 (February 2014). http://www.cbo.gov/sites/default/files/cbofiles/attachments/45010-Outlook2014_Feb.pdf

contentious issues in Congress, illustrated by the 16-day government shut down over budget issues in 2013. Cuts are mostly likely to come from discretionary spending. Significant increases in foreign aid will therefore be extremely difficult, even more so for environmental issues versus, for example, assistance tied to security or emergency response.

Congressional climate skepticism compounds the challenge. Some political quarters, particularly within the Republican Party, remain skeptical of climate change—and budgeting remains very much a bipartisan process in the United States. Recent mid-term elections (when 1/3 of Senate seats and all House seats were up for re-election, but the President was not) weakened the position of climate change supporters. The House remained solidly in Republican hands, and Democrats lost enough seats in the Senate to result in a new Republican Senate majority, which will likely pose a serious threat to the climate change budget.

Political winds behind REDD+ have also weakened. As described in Section 2, the political high point of support for increased climate-related forest funding was likely in the 2009 timeframe when several factors converged to peak interest in REDD+, including pressure from the Copenhagen summit to deliver new financial commitments and potential legislation containing forest provisions (which briefly increased domestic, particularly business sector, support for international forestry efforts). There are currently no such strong winds blowing in the United States. While climate finance is already a challenge, maintaining funding for REDD+ is a particular challenge. FY2013 and FY2014 saw declines in the budgeting for REDD+, even in a relatively stable climate pot. This may be due to a decrease in pressure after meeting the USD 1 billion commitment (even if delayed), but also the difficulty REDD+ has competing against the high profile of clean energy and the strong engagement from development groups on adaptation. This issue could be exacerbated if a significant portion of relatively flat US climate finance is shifted to the Green Climate Fund³² in coming years, depending on how the GCF allocates

³² The GCF was first established in 2009 and intended to be an operating entity of the financial mechanism of the Convention; it is expected to support projects, programs, policies and other activities in developing countries.

funds between different purposes. Generating large-scale US foreign assistance for REDD+ is compounded further by the geography of deforestation, with the concentration of forest emissions in several middle income countries such as Indonesia and Brazil, as opposed to low-income countries that are the preferred destination for development assistance.

Climate policy is now focused on domestic action. Limited by the lack of Congressional support on climate change, and following the failure of legislation in 2010, President Obama's new climate strategy is focused primarily on domestic administrative actions under existing authorities. This domestic focus reduces the potential for significantly increased REDD+ finance in the near term.

4.1.2. Challenges to traditional objectives of international forest programs

The concept of REDD+ introduced a new objective for protecting forests, that of reducing emissions. This is a significant departure from the traditional reasons that Congress has allocated foreign assistance funding to U.S. agencies, including USAID and the U.S. Treasury, for tropical forest conservation—which largely has been focused on biodiversity protection and natural resource management for economic stability and growth. In FY2009, prior to the new Global Climate Change Initiative, almost 90% of USAID “forestry” spending had explicit biodiversity objectives and was geographically selected on the basis of biodiversity threats.

Changing course in any development assistance program is difficult, particularly if such programs are based on multiple year strategies, as USAID programs tend to be. This is particularly true in sectors, such as land use and forestry, for which change comes slowly and involves actors at multiple levels of governance—from national governments down to forest-dependent communities. Improving the management of forests often requires long-term programs as compared to, for example, immediate disaster relief efforts or short-term infrastructure projects.

REDD+ also challenges traditional aid funding by introducing quantified emission reductions as a primary goal and measure of program success—which can be problematic to development assistance programs and budgets mandated to focus on

sustainable development and poverty reduction, even if the focus of those development efforts include at times natural resources and the environment. In part, this is because even some who are concerned about climate change are skeptical of climate as a development priority. While climate change as an objective was added to US foreign assistance, starting in the 2010 budget through the GCCCI program, it remains a highly scrutinized program by climate skeptics in Congress and not fully embraced by all members.

USAID mission staff responsible for programming the new Sustainable Landscape funding is accustomed to new programs and measures of success being mandated from above, and often approach these new mandates with healthy skepticism. Among these frontline development practitioners, there was a deep worry about whether a false bill of goods was being sold, i.e. whether future demand for REDD+ credits would be forthcoming—a skepticism that has been partially borne out. The new mandate was viewed by some USAID practitioners as a clear threat that could undermine existing, hard-fought progress and programs by pulling funding to an unproven idea.

USAID is a decentralized organization and while Congress earmarks many funds to broad categories (e.g. environment, health, education, etc.), decisions about how and specifically what to fund are, in large part, made at the mission (i.e. country or regional) level. Changing course and funding a new approach to forest conservation therefore may be a combination of host country demand and U.S. mission level flexibility. It could also depend on how well the REDD+ focal point in the country—or the agency driving the REDD+ program—is connected to the USAID mission. In many cases, historic USAID counterparts on assistance related to forestry may be different than those driving new national climate, or REDD+, programs.

4.1.3. Barriers to performance-based payment for REDD+

REDD+ was not intended to be a continuation of ‘business as usual’ funding for forests, but among other things introduced a new concept for protecting forests based on ex-post payments for measured, reported and verified results in terms of tons of CO₂ avoided or sequestered. Currently USAID provides support to countries that wish to pursue a REDD+ strategy, including support for programs that intend to generate measured, reported and verified emission reductions. However, US assistance (with exception to State Department’s support for the FCPF Carbon Fund³³) stops short of paying directly for emission reductions from REDD+.

While there are examples of successful implementation of results-based finance mechanisms for environmental services domestically and in the health and education sectors internationally, the US Government faces challenges to supporting results-based finance for REDD+ abroad. These challenges include³⁴:

A pure “cash on delivery” system for emission reductions faces difficulties given current practice and interpretation of the goals of foreign assistance. The Foreign Assistance Act (1961) states that U.S. foreign aid should focus on five principle goals: poverty reduction, economic growth, economic and civil rights, integration into an international economic system, and the promotion of good governance.³⁵ It also states that “...*the principle purpose of United States bilateral development assistance is to help the poor majority of people in developing countries to participate in a process of equitable growth through productive work and to influence decisions that shape their lives, with the goal of increasing their incomes and their access to public services which will enable them to satisfy their basic needs*

³³ State Department’s contribution to the FCPF Carbon fund is an anomaly in US funding for REDD+ and currently the only instance in which funding is focused on direct payments for emission reductions. It is worth noting that the money for the FCPF comes from Economic Support Funds, which have a different mandate (i.e. used to support foreign policy goals) from Development Assistance funds that make up a significant portion of US REDD+ finance.

³⁴ Some of this section has been summarized from O’Sullivan, R., Lee, D., et al, *U.S. Experience on Results-based Finance*, Forest Carbon Markets and Communities (October 2013).

³⁵ Foreign Assistance Act of 1961, as amended and enacted January 17, 2014. Found at: <http://www.house.gov/legcoun/Comps/Foreign%20Assistance%20Act%20Of%201961.pdf>

and lead lives of decency, dignity and hope.” Paying for emission reductions, therefore, would need to be seen as meeting the above stated goals.

While it is possible for U.S. agencies to provide payments for performance—and there are several examples of such programs—it is only in rare cases that the U.S. is willing to engage in direct budget support and to make cash transfers to governments. In such cases, the United States often will still require some level of controls and due diligence. For example, one of USAID’s few results-based payments programs where funds go directly to government is the Performance Based Governance Fund in Afghanistan that distributes monthly funds to 34 Afghan Governors based on set performance criteria. However, there are clear rules on how the money can be spent, including a list of eligible (as well as ineligible) expenditures.

US Government funding for Sustainable Landscapes is spread over a number of countries. An incentive program to work at scale (i.e. subnational or national) requires a significant investment. Scaled up financing for a single country would either require a request for additional and dedicated budget or a restructuring of how USAID funds are currently allocated, which is a complex (and painful) budget exercise that balances bottom-up and top-down planning to divvy up a fixed amount of funding to meet target amounts by country, region, sector, initiative, and congressional earmarks – perhaps best understood as a “budget Sudoku.” For example, in the 2013 budget request, the largest amount of Sustainable Landscapes funding intended for a single country is USD 8 million (to Indonesia) out of a total request of USD 130.5 million.³⁶

It is extremely difficult for the United States to legally commit to out-year funding. In the case of REDD+, the time lag between making a commitment to pay for results (to incentivize necessary policy change in host governments) and the time it then takes to put in place the policies and then verify results can be years, or even decades. The long time horizon involved in making such forward promises for REDD+ performance-based payments would set a new precedent for the United

³⁶ Congressional Budget Justification for Foreign Operations, FY2013.
<http://www.state.gov/documents/organization/185014.pdf>

States. On occasions where the United States has made out-year pledges, they have not exceeded several years and come with the caveat that “funding is subject to appropriation by Congress”. Furthermore, the U.S. budget is appropriated on a year-by-year basis, and can be taken back by Congress from an agency if not spent, adding to the challenges of multi-year funding.³⁷

Even if the U.S. were allowed to make purchases of emission reductions that met certain qualifications required of ODA, it would not be able to provide forward contracts or promissory notes due to the Anti-Deficiency Act³⁸, which prevents the US Government from entering into a contract that is not fully funded. In other words, no US agency can obligate the Government in excess of the amount available through appropriated funds. This would therefore limit the U.S. Government to two options: (1) putting appropriated money from a particular budget year into a fund that would pay out over time (i.e. “parking” the money, as has been done for the FCPF Carbon Fund through State Department’s contribution); however, the optics of doing so with large sums can be difficult given immediate needs and a perceived imperative to “get money out the door,” making this option highly unlikely; or (b) spot contracts, or the purchase of already generated emission reductions. Many developing countries, however, are reluctant to use their own resources and take the effort to generate such “credits” without predictability of finance downstream—resulting in the classic chicken and egg problem.

Congressional oversight of the US budget means it is highly unlikely to support new channels to pay for emission reductions. In fact, raising the possibility of directly paying for reductions in today’s political climate could backfire by drawing attention to funding for REDD+ within aid budgets that are already in cross hairs, and subject to review and amendment by a Congress. It is well known that some Congressional members will go lengths to object to particular issues or programs (e.g. climate

³⁷ Leo (2010) analyses options for such multi-year funding from the United States. Leo, B. (2010). Can Donors Be Flexible within Restrictive Budget Systems? Options for Innovative Financing Mechanisms. Center for Global Development Working Paper, 226.

³⁸ US Government Accountability Office:
<http://www.gao.gov/legal/lawresources/antideficiencybackground.html>

change) and will do key word searches of budget legislation, for example on climate-related terms, to identify areas for potential cuts.

In this context, the approach taken by the Tropical Forest Alliance 2020 (TFA) better reflects current US domestic realities.³⁹ Given budget realities, estimates of how much finance may be needed for REDD+ results-based payments, combined with the gridlock in Congress on climate that will prevent comprehensive climate legislation in the near-term, significant scaled up funding from the U.S. Government for REDD+ will be highly unlikely in the foreseeable future absent significant new political will and identification of budget-neutral mechanisms that use existing authority. The focus on partnerships with the private sector and supply chain management as a priority tool for REDD+ therefore is more consistent with U.S. domestic realities and is more likely to be a focus of U.S. support for REDD+ than payments for results. It is worth noting that President Obama's Climate Action Plan announced in June 2013 mentions support for Reducing Emissions from Deforestation and forest Degradation (REDD) as an important component of international climate efforts and highlights the TFA as a key effort to reduce tropical deforestation.⁴⁰

4.2 Future prospects of performance-based payments for REDD+

While the challenges above seem prohibitive, there are some winds blowing in the other direction that could present opportunities for REDD+ finance. Democrats are increasing pressure on President Obama to deliver climate action before the end of his term, and new donors are investing significantly to advance pro-climate candidates. The international climate negotiations timetable, targeting post-2020 commitments in the first quarter of 2015 and a new global climate agreement by the end of 2015, is reinforcing this near-term pressure on the Administration. The White House is responding with a wave of new personnel, agenda setting, and

³⁹ See for example policy recommendations for the US government that did not require climate legislation or significant new spending advanced jointly by a group of NGOs in: Breaking the Link between Commodities and Climate Change, 2013, Climate Advisers. <http://www.climateadvisers.com/wp-content/uploads/2014/01/2013-06-Breaking-the-Link.pdf>

⁴⁰ The President's Climate Action Plan, June 2013: <http://www.whitehouse.gov/sites/default/files/image/president27climateactionplan.pdf>

increased climate policy activity.⁴¹ President Obama, in his second (and last) term of office may be amenable to a bolder climate change agenda absent re-election concerns.

These winds may find existing openings or help create new ones for performance-based REDD+ if married with other Administration priorities. For example, EPA's proposed carbon emissions regulations for existing power plants allow for implementation at the state or regional level, and explicitly include the flexibility for states to use existing climate or emissions policies to meet the new requirements. Carbon trading approaches, such as California's which includes the potential for international forest carbon credits,⁴² provide a model that could be replicated by other states, perhaps with similar or even more robust flexibility mechanisms for compliance including international forest carbon provisions. It is also possible that EPA could pursue additional GHG regulation using existing Clean Air Act authority or other statutes.⁴³ On the other hand, an increasingly complex web of state-level EPA climate regulations might push fossil-based businesses to support a single consistent national program that could again open discussion of broad market-based measures.

On the international development front, both President Obama and Secretary of State John Kerry have undertaken processes to assess opportunities to further advance U.S. international development goals. The President's Global Development Council, a high-level advisory group from outside government that met with and debated potential development priorities with the Secretaries of State, Treasury, and Defense, the USAID Administrator, and the CEO of the Millennium Challenge Corporation, recently delivered recommendations to the President that included a proposal to focus on climate-smart food security and results-based aid mechanisms for land restoration efforts.⁴⁴ Secretary Kerry has just launched the Administration's

⁴¹ "Agency insiders, Obama's staff huddle amid energy, climate push," Greenwire, 4/29/2014; "Podesta's role at White House showcases Obama's new push on environment," Greenwire, 3/4/2014; "\$100M investment in fall elections 'cheap' Steyer tells C-SPAN," E&E Daily, 4/28/2014.

⁴² See Lueders et al, "The California REDD+ Experience," in the Why Forests, Why Now? paper series.

⁴³ "Petition seeks new EPA pathway to require greenhouse gas curbs," The Hill, 2/19/2013.

⁴⁴ "Beyond Business as Usual." President's Global Development Council Report. 4/14/2014.
http://www.whitehouse.gov/sites/default/files/docs/gdc_memo_for_the_president_final.pdf

second Quadrennial Development and Diplomacy Review, an agenda-setting assessment of U.S. diplomacy and development priorities that is likely to include significant focus on climate change, and seek to identify “a few big challenges and a few big opportunities”.

There are also early signs of increased attention on foreign aid effectiveness broadly, and on cash-on-delivery or results-based mechanisms specifically. For example, the Administration’s most recent budget request for the Millennium Challenge Corporation specifically identified “plans to explore creative financing mechanisms in new MCC compacts to link payments more directly to development results,” and the MCC has a recent history of committing large-scale support for Indonesia’s green development objectives, including programs that would result in emissions reductions from improved land and forest management.⁴⁵

New and high-level interest in deforestation by the Consumer Goods Forum and the CEOs of some of the world’s biggest companies also provides a possible opening. Additional finance for results-based REDD+ could complement the goals and activities of the Tropical Forest Alliance 2020 – as a tool to encourage and engage developing country governments with forests to make the reforms needed to enable businesses to meet deforestation-free supply chain targets (e.g. by 2015). Such companies have even begun to support specific policy solutions: for example, in June, 2014, the Consumer Goods Forum called on governments to secure an ambitious and legally binding global climate deal in Paris that makes REDD+ a priority.⁴⁶ If companies see such REDD+ commitments as critical to meeting their publicly stated goals, further political support may be forthcoming.

It is important to note that the politics in the United States can and frequently does shift rapidly. Significant new political will from leaders can change the reality from the top, or a climate-related catastrophe can change policy priorities at the grass

⁴⁵ “Millennium Challenge Compact Between The United States of America Acting Through the Millennium Challenge Corporation and The Republic of Indonesia.”

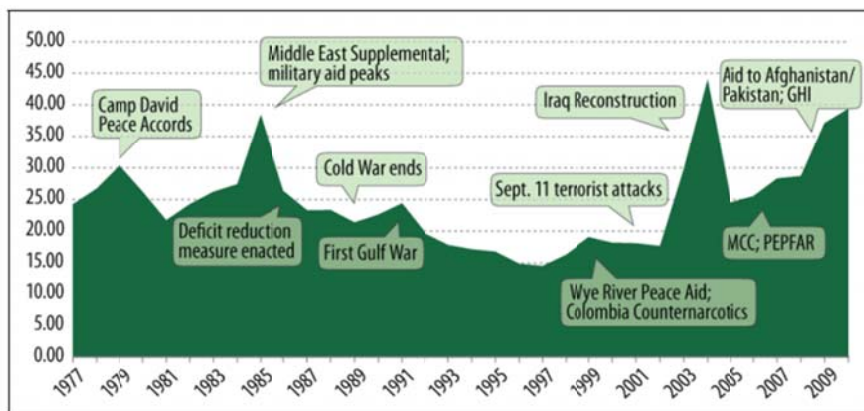
<http://www.mcc.gov/documents/agreements/compact-indonesia.pdf>

⁴⁶ “A ‘call for action’ in the run up to the Paris Climate Summit in 2015.”

<http://www.theconsumergoodsforum.com/the-forum-board-statement-on-climate-change>

roots. For example, President George W. Bush wanted to change the way the United States approached development and, out of this leadership, the now USD 1 billion per year Millennium Challenge Corporation was born in one of the largest non-war foreign assistance increases of the last thirty years (Figure 6). Similarly, the September 11th attack in New York on the twin towers, or Hurricane Katrina, had significant impact on U.S. policymaking by changing public opinion and focusing media attention and starting a domestic discourse on how to prevent such disasters in the future. When these rapid changes in public opinion occur, the most rapid policy changes to be adopted are those that are well developed and have an active constituency, but that were held back by political will.

Figure 6: Foreign Aid Funding Trends, 1977 to 2010⁴⁷



Political trends that seem counter to climate action could in fact prove otherwise. Conventional wisdom is that the new Republican Senate or a Republican President in 2016 would present challenges to U.S. climate action, but the opposite could be true. Some segments of the Republican party, after its defeat in 2012, realized the need to reinvent itself, appeal to younger voters, and perhaps distance itself from its far right wing. Businesses, in particular, a key constituency of the Republican Party, are starting to support more moderate candidates. This could open up the possibility that moderate Republicans seek a pro-active environmental agenda that they can comfortably advance. Another possibility waiting in Republican wings is a desire to

⁴⁷ In billions of constant 2010 USD. Tarnoff and Lawson, 2011. Foreign Aid: An Introduction to U.S. Programs and Policy. Congressional Research Service R40213. <http://www.fas.org/sgp/crs/row/R40213.pdf>

overhaul the tax code, which could allow for a grand bargain that combines cuts in corporate or income taxes (what Republicans want) with a new carbon tax (as a way to win Democratic support).⁴⁸ Finally, Republicans tend to be fiscal conservatives, and may be attracted to demonstrated results from U.S. spending, which may drive support for a more results-based agenda for foreign assistance, including REDD+.

5. Conclusion

The United States has long provided significant support for international forests, with emphasis shifting somewhat in recent years to explicitly prioritize forest emissions reductions (REDD+) in addition to biodiversity and natural resource management objectives. U.S. focus and political energy for REDD+, in particular results-based models (for example, those in proposed climate legislation such as cost-containing emissions offsets) peaked in 2009 to 2010 when comprehensive climate legislation received serious debate in Congress, and has declined thereafter. U.S. Government funding followed this peak with a slight lag, with a significant (~66%) step increase in forest-related foreign assistance investments from FY2009 to FY2010 directed to REDD+ strategic objectives, a funding peak in FY2011, but small but real declines since.

A significant and diverse political constituency has driven long-term international forest support and the recent climate-related increases, but not without opposition. Strong advocates have been a group of land and wildlife conservation and environmental NGOs, along with the foundations that support them, private sector players with interests at stake, and political actors these groups influence. The private sector constituency has shifted the most over the past few years, from emitters in the 2008-2010 period (that thought forests may offer cost containment under a proposed cap-and-trade system), to consumer-facing companies that purchase significant quantities of commodities linked to deforestation that emerged as an important voice in 2012. Counterweights to REDD+ boosters have included traditional objectors to foreign assistance, but have also included constituencies that

⁴⁸ Davenport, Coral, *Political Rifts Slow U.S. Effort on Climate Laws*, NY Times (April 14, 2014) at http://www.nytimes.com/2014/04/15/us/politics/political-rifts-slow-us-effort-on-climate-laws.html?_r=0

see REDD+ as a significant social risk to forest-dependent and indigenous communities, and those who share the goals of REDD+ but see particular REDD+ mechanisms and policies (especially offsets) as a threat to ecosystems (through poor design or loopholes) or the atmosphere (through “hot air”).

The debates and differences among REDD+ constituencies are “small-p” politics compared to the “big-P” Politics surrounding U.S. fiscal and climate policy more broadly. In the current political atmosphere, climate change and government spending are two highly charged political lightning rods. Overall budget pressures mean likely challenges for international assistance as with all discretionary spending, and Congressional climate skepticism is still yielding political returns for Republicans at the polls. The clear lesson from pre-2010 climate legislative efforts is that more powerful constituencies than the conservation/green community are necessary to advance REDD+ at significant scale, overcoming the “big-P” Political objections. These macro trends do not bode well for increasing U.S. REDD+ investments writ large in the near to mid-term period.

While the overall REDD+ finance package faces challenges, increasing or creating results-based or cash-on-delivery mechanisms within that package faces additional significant operational and political challenges. USAID is experimenting with these types of mechanisms, and other international funding agencies have also showed interest; but under current law the United States cannot commit out-year funding that has not been appropriated, and both alternatives—parking the money, and purchasing existing reductions—are problematic.

Thus it seems that large changes in U.S. REDD+ finance, e.g. contributing a U.S. “fair share” contribution to reach the scale needed to halve or eliminate deforestation in the next decade or two, are unlikely absent significant new political will and the full engagement of powerful constituencies.

However, there are several forces pushing in a more positive direction for REDD+. These include increasing international and domestic pressure on the administration for climate action in the run-up to the Paris UNFCCC meeting, where countries

expect to reach a global climate agreement, and prior to the end of President Obama's second term; efforts by the Administration to define a strong international mitigation pledge that takes advantage of all potential routes for achieving climate goals through existing law; efforts to reform the development policy processes and potentially try new foreign assistance mechanisms; the potential for Republican support, maybe through a "grand bargain" on fiscal policy that creates a carbon tax; and, most critically, the rising interest in deforestation reduction from powerful consumer goods companies and the traders and producers from whom they procure, and their engagement with the US Government through the Tropical Forest Alliance. Any of these forces could produce changes in REDD+ finance, both in terms of increases in amount and shifts towards greater results-based models. Perhaps more critically, these openings may make it possible for the significant political will to emerge that would be needed for U.S. REDD+ investments to rise to the scale needed to slow, halt and eventually reverse deforestation.

Appendix 1: Historical background⁴⁹

The U.S. REDD+ program has been built on top of an existing infrastructure of U.S. Government programs that engage with developing countries on the conservation and use of their forests. U.S. forestry and forest management activities abroad have a history stretching as far back as 1939, when the U.S. Department of Agriculture (USDA) Forest Service (USFS) first gained budget authority to provide international assistance for forestry.

In 1986, Congress made forest management and conservation an important part of USAID's mission.⁵⁰ Since then, USAID's direct foreign assistance for forests has never dropped below USD 50 million. Much of the support in the early years was directed toward forestry and forest management as an economic development tool, but throughout the 1990s and into the new millennium, the emphasis has shifted to encompass multiple goals, including biodiversity conservation, sustainable management and production, and economic development. For example, in FY2009, almost 90 percent of USAID spending identified as "forestry" also had explicit biodiversity objectives, was geographically identified on the basis of threats to biodiversity, and monitored biodiversity indicators. The forestry program had largely become a forest biodiversity conservation program executed primarily through development-focused bilateral aid.

The new focus on forest conservation and biodiversity extended beyond USAID, with complementary bilateral biodiversity programs and mechanisms in several domestic agencies, including the Fish and Wildlife Service and the National Park Service in the Department of Interior, and the Treasury-led Tropical Forest Conservation Act debt-for-nature swap program.⁵¹ The United States has also been an important participant in multilateral institutions, treaties, and facilities focused on

⁴⁹ This section is an edited excerpt from a previous publication by one of the authors. See M. Wolosin, "U.S. Forest Climate Assistance: An Assessment." Resources for the Future and Climate Advisers. 2012.

⁵⁰ USAID, Biodiversity Conservation and Forestry Programs Annual Report (Washington, DC: USAID, 2010).

⁵¹ The latter allows eligible developing countries to cancel certain debt owed the United States by redirecting the would-be repayments to support tropical forest conservation activities within their borders instead.

the world's forests, placing the State Department in an important role in international forest policies (in addition to its oversight of USAID budgeting).

In the international multilateral arena, a number of tracks launched at the 1992 United Nations Conference on Sustainable Development related to forests and forest conservation, with the climate track becoming a significant driver of the global dialogue in the last five years or so—likely due to the potential for (or promises of) associated finance at scale. The climate frame has become more important in forest-related assistance; the G-8 summit in 2007 called for establishment of the Forest Carbon Partnership Facility (FCPF), a trust fund under the World Bank. It has also been supportive of the Climate Investment Funds, also managed by the World Bank, including the Forest Investment Program (FIP) established in 2009.

As discussed above, climate legislation in 2009 and 2010 included several funding modes for REDD+, and modeling of the bills showed that forest-based carbon credits could reduce US carbon prices substantially.⁵² However, it also became clear that such credits, and the reductions in overall program costs that they would allow, would not be forthcoming without extensive investments to build the capacity of developing countries to reduce their deforestation emissions. This gave Congress and the Obama administration ample justification to establish and fund programs to achieve such capacity building. Soon after taking office in January 2009, President Obama proposed a newly consolidated Global Climate Change Initiative in his first budget proposal, for FY2010, with the request nearly tripling total international climate funding from FY2009. In December 2009, several months into FY2010, Congress passed a consolidated appropriations bill that included USD 900 million for international climate support, coming close to meeting the president's overall request of USD 1.1 billion. A new USD 74.45 million "Sustainable Landscapes" line item was created for bilateral support through USAID within the climate and environment category. Shortly thereafter, the Administration committed to providing USD 1 billion of fast start financing for REDD+ from 2010 to 2012. With these

⁵² EPA (U.S. Environmental Protection Agency), *Analysis of the American Power Act in the 111th Congress* (Washington DC: EPA, June 14, 2010). Scenario 5a assessed the impact on allowance prices if no REDD+ offsets materialized, which increased costs by 25%.

developments in late 2009—a new presidential climate initiative, a new bilateral USAID Sustainable Landscapes program, new investments in multilateral finance mechanisms, and a new international pledge of support—the United States’ support for international forest conservation entered a new phase of substantially increased investment with a major focus on climate.

Appendix 2: US REDD+ contributions⁵³

U.S. financing for REDD+ flows through several agencies and finance pathways. First, the administration requests significant funding from Congress each year for bilateral programs and multilateral financing mechanisms focused on REDD+ through USAID, the State Department, and Treasury. In late 2009, congressional appropriators for the first time earmarked \$74.45 million of USAID’s budget for sustainable landscapes programs in the FY2010 consolidated appropriations bill, including accompanying explanatory language that detailed the scope and intent of the program. Notably, this was the first reference to “REDD” in US budget documents, giving a clear signal that the sustainable landscapes pillar of the Global Climate Change Initiative (GCCCI) was being created as an umbrella for U.S. contributions to REDD+. The year after being established in FY2010, the direct appropriation for USAID Sustainable Landscapes increased substantially to \$137 million, then fell slightly and has remained relatively stable since then at about \$115 million per year (Figure A2.1, in blue). The \$327 million of bilateral Sustainable Landscapes appropriations from FY2010-FY2012 comprises only a portion of the U.S. pledge to provide \$1 billion of REDD+ finance; funding from other programs (e.g. biodiversity) was always intended to be part of the overall package. Notably, the Administration has consistently requested more for the Sustainable Landscapes program than Congress has appropriated.

In addition to bilateral finance through USAID, the GCCCI also includes contributions to the multilateral Forest Investment Program, Forest Carbon Partnership Facility, and the BioCarbon Fund, the REDD+ related finance facilities

⁵³ This section is an edited excerpt from a previous publication by one of the authors. See M. Wolosin, “U.S. Forest Climate Assistance: An Assessment.” Resources for the Future and Climate Advisers. 2012.

managed by the World Bank. The FCPF and BioCF allocations flowed through the State Department, along with a small amount of additional funding for small projects or other efforts in some years, while the FIP allocation flows through Treasury. The GCCI Sustainable Landscapes allocation also includes a portion of U.S. contributions to the Global Environment Facility under the umbrella of the sustainable landscapes pillar of the GCCI, along with funding budgeted to Treasury for debt forgiveness through the Tropical Forest Conservation Act. The combined State and Treasury REDD+ budgets averaged around \$90 million during the Fast Start period, but dropped by as much as \$45 million to around \$44 million in FY2014. This decline is partly due to a reallocation of the relatively stable State Department GCCI funding away from Sustainable Landscapes, but primarily the result of changes at Treasury. These include an expected decline in the portion of the Strategic Climate Funds appropriation allocated to the Forest Investment Program, from 44% on average from FY2010-FY2012 to 16% in FY2013-FY2014, and the discontinuation of Administration requests for debt forgiveness appropriations.

Figure A2.1: GCCI REDD+ Funding by Agency⁵⁴



Source: Climate Advisers Analysis

⁵⁴ Notes: The FY2013 sum for State and USAID is \$133,500, but the breakdown by agency is not available.

In the context of reporting on the US fast start commitment the administration has also included forest related programs funded primarily through USAID's biodiversity allocation, which is distinct from the climate allocation, and additional resources from across the U.S. government. These analyses have only taken place after the fact, based on whether particular programs meet climate criteria (it is unclear if this additional accounting will continue following the end of the fast start period). Over that period, about \$75 million of USAID funding has been considered to contribute the Administration's REDD+ objectives. Notably, the biodiversity allocation has not decreased over the period, so these indirect investments through USAID likely continue.

These "indirect" REDD+ investments have also included funding from domestic agencies, such as the U.S. Forest Service, as well as foreign aid from the Millennium Challenge Corporation (MCC). A portion of the FY2011 budget for the MCC's Indonesia Compact, likely around \$70 million, has been included as contributing to REDD+ objectives. The Overseas Private Investment Corporation (OPIC), a U.S. development finance agency, also provided about \$1 million of REDD+ support in FY2011 through non-grant mechanisms (not included in the tables and figures).

Table A2.2: US REDD+ Finance Details⁵⁵

| Agency | Description of funds | FY2009 | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 Est |
|--|---|----------------|----------------|----------------|----------------|----------------|----------------|
| USAID | Funding largely managed through bilateral and regional missions | 0 | 74,950 | 137,400 | 115,000 | NA | 113,500 |
| US Treasury | Forest Investment Program, Global Environment Facility, Tropical Forest Conservation Act | 34,800 | 56,000 | 61,370 | 78,053 | 53,045 | 36,433 |
| US State Department | FCPF, BioCF, Andean Amazon program, REDD+ Partnership and other programs | 13,000 | 35,900 | 17,000 | 22,000 | NA | 10,000 |
| TOTAL (GCCI Sustainable Landscapes/REDD+) | | 47,800 | 166,850 | 215,770 | 215,053 | 186,547 | 159,933 |
| Total Climate Change budget enacted by Congress | | NA | 939,200 | 818,810 | 857,940 | 840,501 | 838,305 |
| Percent of GCCI for REDD+ | | NA | 18% | 26% | 25% | 22% | 19% |
| Mostly USAID and MCC | Additional grant-based REDD+ related funding not specifically part of climate change budget | 103,700 | 82,150 | 145,730 | 61,147 | NA | NA |
| TOTAL (All Grant-based REDD+) | | 151,500 | 249,000 | 361,500 | 276,200 | NA | NA |
| Total (All Grant-based Climate) | | NA | 1,583,800 | 1,878,500 | 1,255,200 | NA | NA |
| Percent | | NA | 16% | 19% | 22% | | |

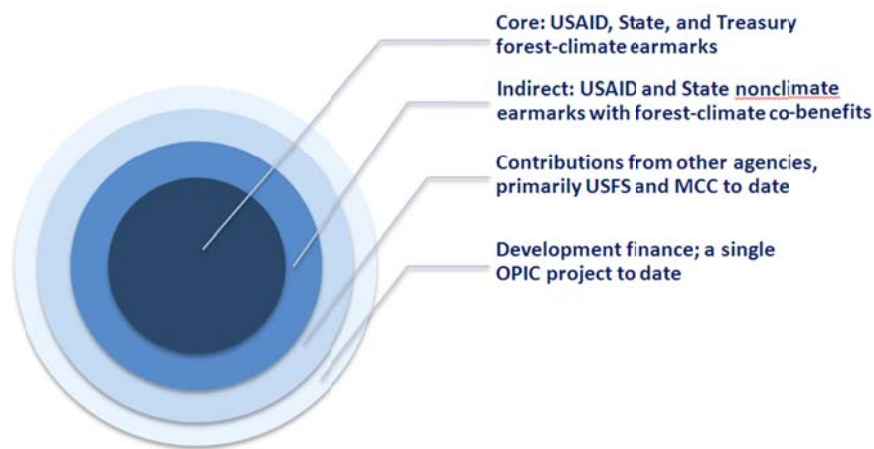
Source: Climate Advisers Analysis

The image of a bulls-eye can help one understand these different types of climate finance, starting at the center with core financing budgeted specifically to the GCCI

⁵⁵ Notes: As in Figure A2.1, note that FY2013 values for State and USAID are not as a total but not individually. Thus the USAID and State Department FY2013 values are listed as “NA”. Assumptions and details available upon request.

and not attributed to any other allocation, with the total amount progressing outward as additional funding is added to the pot such as indirect assistance for non-climate programs that meet climate criteria, climate-related contributions from other agencies, and finally to development finance and export credit through agencies such as OPIC (see Figure A2.2). The U.S. has included the entire bulls-eye in its fast start reporting, reaching about \$887 million total finance for REDD+ from FY2010-FY2012.⁵⁶ While short of the \$1 billion pledge for the three-years, appropriated FY2013 REDD+ finance (excluding indirect) puts the United States over the line.

Figure A2.3: Agency Scope of US REDD+ Finance⁵⁷



The U.S. REDD+ investment has been spread broadly across a large number of countries. During the Fast Start period, bilateral USAID Sustainable Landscapes funding (about \$308 out of the \$590 total GCCI sustainable landscapes amount

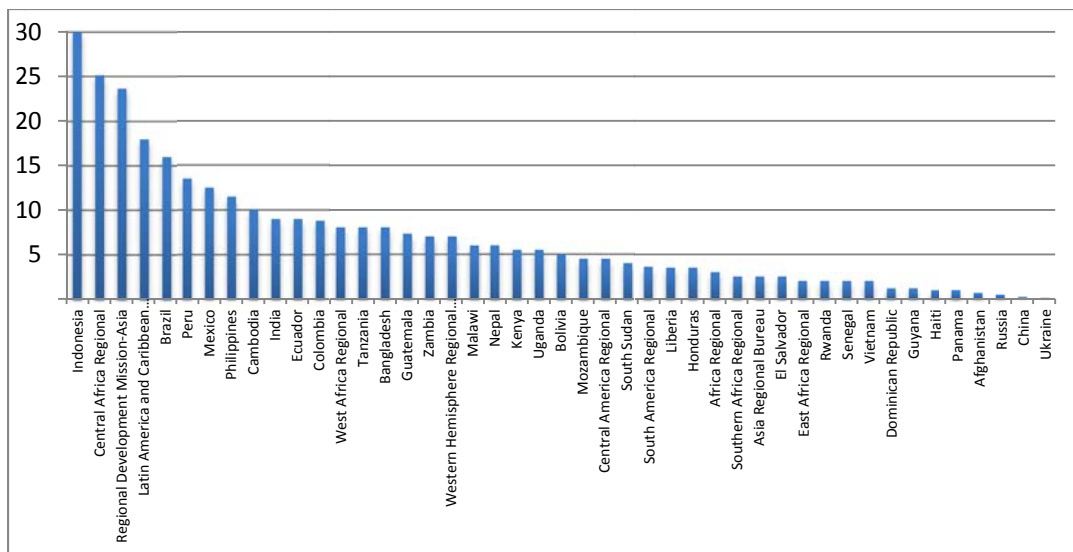
⁵⁶ Another paper in the Center for Global Development’s “Why Forests? Why Now?” paper series (Norman and Nakhooda, 2014) includes a lower estimate of U.S. REDD+ finance during the 2010-2012 fast start period of \$568 million. This lower estimate in Norman and Nakhooda (2014) is derived from Jones, Wolosin, et al. (2013), which was a bottom-up analysis of all international climate programs identified at the detailed level by the US primarily in a series of country-level Fast Start Fact Sheets. This bottom-up analysis coded projects as REDD+, Adaptation, Energy, some combination of these, or unknown, based on descriptions. The \$568 million estimate answers the question: “Of all the projects and programs funded from FY2010 to FY2012 that the US has described in detail in bottom-up reporting of international climate finance (\$7 out of \$7.5 billion), how much can be coded by external analysts as being clearly and solely REDD+?”

In contrast, the estimate of \$887 million cited here, as well as the data in Table A2.2, are compiled from sources that describe how much US international climate finance the *US government* has coded as contributing to REDD+. These estimates answer the question “Of all the investments that the US has claimed as being part of its international climate finance from FY2010 to FY2012 (\$7.5 billion, as above), how much has the US considered to be supporting REDD+ purposes and objectives?”

⁵⁷ Figure not drawn to scale.

during the period) was allocated to 31 countries averaging a little over \$3 million per country per year over the three-year period, and 9 regional bureaus averaging a little over \$4 million per bureau per year. The distribution is somewhat skewed, with over 50% of the funding allocated to 9 geographies, another 30% to the next 12 geographies, and the remaining 20% distributed amongst 24 additional geographies. (Figure A2.3).

Figure A2.4: Geographic Distribution of Bilateral USAID REDD+ Finance, FY2010-FY2012



Source: Climate Advisers analysis

Appendix 3: US Perceptions of REDD+ funding and external perceptions of US REDD+ support

U.S. climate and forest policy makers act and make decisions not only in the domestic context, but also in the international context. They participate in international negotiations on climate change (including how REDD+ is treated), the REDD+ policies and funding mechanisms of multilateral institutions, they interact with other donor countries and of course partner with developing countries to support REDD+ programs. Their views of the global REDD+ landscape have and will continue to influence the directions of U.S. investments (if not the amounts). At

the same time, the perceptions of U.S. REDD+ programs on the part of external observers are worth considering, as they provide a window into the consistent strengths, weaknesses, and potential biases that have been built into the program by dozens of actors over many years.

From over eight interviews of current and former REDD+ and climate policy makers from the US, other donor countries and forest nations conducted specifically for this paper, a few common perceptions (and misperceptions) about the U.S. program emerged. From the outside, these included that:

- The United States is constructively engaged and keenly interested in other parties' positions, especially in international forums; but at the same time, in negotiations, tends to be conservative and risk averse, express positions with disproportionate weight given contributions, and subordinates REDD+ to broader objectives.
- U.S. policymakers working on REDD+ are true champions of the REDD+ agenda both within the U.S. Government and internationally, and respond reasonably to the serious constraints they face.
- The amount of U.S. REDD+ funding is much smaller than it should be and, in relation to the size of its economy, relatively smaller than what many other donors provide; that it is scattered both in terms of strategic focus and implementation; and that it is not truly additional but rather is just relabeled from previous uses.
- Implementation of bilateral REDD+ assistance is burdensome (too much overhead and requirements), rigid (has to be spent "their way" and not clear that it will be applied where actually needed), and insufficiently consultative with important forest-country constituents.

From recent discussions with U.S. Government officials, some common perceptions include that:

- U.S. REDD+ investments add up to more than outside observers realize, but are scattered across a large number of agencies, missions, and programs for both strategic reasons (U.S. expertise is diverse and diffuse) and for not-so-strategic reasons (pulling together REDD+ investments from wherever possible given budget constraints).
- REDD+ is still unproven and experimental, with voluntary markets small and compliance markets like California’s still excluding REDD+, and few forest nations or large jurisdictions will soon be prepared for large-scale pay-for-performance REDD+.
- The key insight of REDD+—shifting incentives of land users changes behavior—is on target, should be expanded to recognize a broad range of incentives and mobilize a broader range of interests (such as commodity buyers), and could truly transform forest land use.
- Actually “doing” REDD+ requires hard work on the ground, on governance, with communities, with infrastructure – and not just building the mechanisms and even demand through a large-scale payments-for-ecosystems services model - “if-we-build-it-they-will-come” approach.

Appendix 4: Timeline of key domestic and international REDD+ related events

| Domestic Activities related to REDD+ | Year | Key International REDD+ Events |
|--|------|--|
| Nov – The Forest Carbon Dialogue holds first Congressional briefing on REDD+ | 2007 | Dec: COP-13 (Bali): REDD+ placed into Bali Action Plan |
| Jan - First Administration budget request with REDD+ line item May - The Tropical Forest & Climate Coalition forges agreement among business and environmental NGOs on REDD provisions in proposed climate change bills Jun: Waxman-Markey (ACES) passage Dec: United States makes \$1B pledge to REDD+ (alongside other donors) | 2009 | Oct: The Informal Working Group on Interim Finance for REDD+ (IWG-IFR) releases a report suggesting a need of €15 to 25 billion for the 2010-2015 period Dec: COP-15 (Copenhagen): Copenhagen climate summit |
| Feb: While House begins organizing interagency meetings to develop U.S. REDD+ Strategy Jul: Climate legislation fails in the Senate, ending hopes of comprehensive climate policy in the U.S. Oct: U.S. REDD+ strategy finalized and made public – guide to budgetary decision making and programming design for the SL budget | 2010 | May: Oslo Climate and Forest Conference brings together heads of state, ministers and senior officials of 55 countries; REDD+ Partnership launched Dec: COP-16 (Cancun): Key REDD+ decision (often called the “Cancun REDD+ Decision”) defines REDD+ framework including eligible activities, a phased approach (leading to results-based actions), and REDD+ ‘safeguards’ Dec: The Consumer Goods Forum (CGF) pledges to work towards zero deforestation in supply chains |
| <i>From 2010 to 2012 incremental progress was being made on the international policy agenda (e.g. further details being agreed about REDD+), while countries began to implement early stages of REDD+ with international assistance (e.g. development of strategies, MRV systems, etc.). It is worth noting that in this time period following the failure of comprehensive climate legislation in the United States, the United States appears to pivot from the “classic” concept of REDD+ as a pay-for-performance mechanism to a focus on engagement with the private sector, e.g. the CGF pledge made in December 2010.</i> | | |
| Jun: United States announces partnership with companies (at Rio+20) Nov: Tropical Forest Alliance – soft launch, informal dinner hosted by USG – mostly US Government, companies, NGOs (plus a few other donor governments) | 2012 | Jun: Rio+20 summit highlights the need for climate change action |
| Nov: US joins Norway and UK in announcing creation of the BioCarbon Fund Initiative for Sustainable Forest Landscapes with focus on landscape level programs, agriculture as a driver, and private sector engagement | 2013 | COP-19 (Warsaw): The “Warsaw Framework” comprised of 7 decisions on REDD+ provide guidance can enable results-based finance; however, there is no operational mechanism under the UNFCCC not complementary compliance markets in developed countries |

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