



Nepal's Submission

Methodological guidance for non-market-based approaches and methodological issues related to non-carbon benefits resulting from the implementation of REDD-plus

Introduction

In Nepal forests are strongly associated with local traditions and cultures. The country has made significant progress in forest resource management through community engagement and broad participation of stakeholders that include indigenous people, marginalized communities and women. Almost a third of the total forest area is already under community based management. Community forestry program receives high priority in the government's forestry sector approach paper and periodic plans.

In recent years, the government of Nepal has invested substantially for improving forest management practices in all types of forests. Tangible benefits of improved forest management include biodiversity conservation, watershed and ecosystem restoration, livelihoods improvement, increased carbon stocks. Nepal sees REDD+ as an opportunity to further leverage investment in good forest management for improving sustainable supply of forest commodities, ecosystem services, biodiversity, and livelihood opportunities.

Nepal has demonstrated a high level of political commitment, willingness and preparedness to participate in REDD+ process. The development of REL, MRV, safeguard systems, national REDD+ strategy and REDD+ implementation framework is progressing well. The Ministry of Forests and Soil Conservation (MoFSC), as the national entity for REDD+, is leading the development of the REDD+ strategy through a transparent, consultative and inclusive process with respect to the customary rights of indigenous people, marginal groups and women. Bilateral, multilateral and regional partners, NGOs, civil society organizations and research institutions are also engaged through their representation in different thematic technical committees and working groups. Nepal believes that this multi-stakeholder consultation process will lead to a development of a transparent, accountable, equitable and effective REDD+ program in the country that is sustainable as well.

The outline framework of the National REDD strategy document has already been approved by the competent authority. The strategy is currently being harmonized and



integrated with the Agro-biodiversity Policy 2007, National Land Use Policy 2012, Low Carbon Economic Development Strategy 2014, Agriculture Development Strategy (draft), NBSAP (draft) and the forthcoming Forestry Sector Strategy. This reflects Nepal's commitment towards REDD+ with the intention of adopting an integrated approach while aligning national programs with sectoral policies and programs and Multi-lateral Environmental Agreements (MEAs).

Non-Market based Approaches (NMA)

Referring to the 2014 submission by Nepal on behalf of the Least Developed Countries (LDCs) group with respect to Non-Market-Based Approaches, it states that "LDCs understand that non-market-based approaches are a broad spectrum of actions that contribute to reducing global greenhouse gas emissions by both Annex I and Non Annex I Parties."

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

Nepal understands that, while complimenting market based approaches, NMA provides better opportunity for proportional allocation of resources among the five REDD+ activities (a) to (e) (referring to para 70 1/CP 16 and 5 REDD+ activities). This approach allows NMA to go beyond carbon offsets by taking into account the multi-functional attributes of forests. This intends to create synergy between mitigation and adaptation measures that can complement country's sustainable development goals.

NMA as an opportunity

Market based mechanism refers to instruments and approaches that have international transferable units from forest carbon markets in the context of REDD+ and, until recently, this has been considered to be the only available option for REDD+ financing. Nepal believes that market mechanism and NMA are complementary to each other and both are required to meet the goals of UNFCCC through REDD+. While market based mechanism has distinct benefits, experience and lessons indicate there are also numerous risks and limitations for Nepal and other LDCs. For example, Nepal had a constricted access to the CDM market due to a multitude of reasons including, but not limited to, inadequate capacity, lack of quality data, and high upfront and transaction



costs. Nepal believes that NMA should be a priority for REDD+ financing for countries like Nepal as it can better complement our efforts for biodiversity conservation, improved ecosystem services and poverty reduction through devolved forestry sector governance.

Despite intensive efforts for conservation through incentive mechanisms, deforestation remains a persistent problem in many LDCs as the existing value of ecosystem services of forest is still undervalued and considered marginal. Most drivers of deforestation and degradation in Nepal are derived from subsistence based economic activities. Fuel wood extraction, for example, is a major driver of forest degradation in Nepal; but there is no formal market for this product in rural areas. Hence, the problem cannot be addressed by market instrument alone. The success achieved so far in biodiversity conservation, watershed restoration, forest conservation in Nepal can be attributed to community engagement and not driven by market forces. The engagement of local communities in establishing functional corridors linking protected areas to facilitate free movement of mega fauna of global significance (e.g. snow leopard, tiger, Asian Elephant, Rhino) demonstrates that market instruments are necessary, but not sufficient condition for achieving success. Other social, environmental and governance aspects are equally, if not more important.

Suggested methodological guidance

1. Institutional arrangement: Nepal views that there is need for a good institutional (existing or new) arrangement within UNFCCC to account for NMA transactions.
2. Funding windows: There should be separate windows for market mechanism and NMA within the Green Climate Fund (GCF) and under other multilateral and bilateral arrangements and financing entities. Finance for NMA should be additional to regular ODA funding.
3. Accounting: Accounting must be based on UNFCCC guidelines, modalities and IPCC good practice guidelines that are transparent and consistent over time and suitable for MRV.
4. Registry: Registry should be maintained at both national and international levels to record outcomes of market mechanisms and NMA activities for monitoring and avoiding double counting. REDD web platform can be a good medium for this.
5. Verification: Programs submitted for NMA should adhere to the agreed modalities as per decision 14/CP.19 for MRV.
6. Pricing under NMA: Differential pricing mechanism that can seek premium values to appreciate non-carbon benefits from REDD+ activities should be allowed. Pricing should be determined through bilateral negotiations.



7. Geographical distribution: NMA should consider ecosystem and geographical diversity as well as proportion of forest coverage of the country for allocation of financial resources.
8. Safeguards: NMA should respect the framework on safeguards agreed by Parties under the Cancun agreement.
9. Sustainability: Sustainable financing and environmental integrity should be ensured.

Linkages of NMA to co-benefits

Like in many LDCs, forest protection in Nepal is not only for offsetting carbon. Forest resources are integral parts of local livelihoods, culture, agriculture, industry and human well being. Referring to the previous submission from Nepal in 2013 on General overview on co-benefits of REDD+ implementation, the following key co-benefits of implementing REDD+ activities were identified:

1. Enhancement of local livelihoods
2. Increased value of biodiversity
3. Better ecosystem services to people and environment
4. More resilient ecosystems for climate change adaptation
Improved governance, institutional setup and policies for natural resource management at local to national levels
5. Contributions to multinational environment agreements

Way forward

As a REDD+ piloting country, Nepal has a high level of political commitment, willingness and preparedness to implement REDD+ activities. Lessons from REDD+ pilots motivates Nepal to step forward and test NMA in order to generate and share knowledge with the global community about the relevancy, efficiency and effectiveness of this approach.. For this, Nepal seeks reciprocal commitment from international partners for additional, transparent and predictable financing including capacity building and technology transfer to proceed with the implementation of REDD+ through NMA.

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