

## Progress on Climate and REDD in the United States Congress

**S**erious discussions of climate legislation are underway in the United States. The most promising proposals include significant support for the set of policies known as REDD (Reducing Emissions from Deforestation and forest degradation in Developing countries). These bills show that the U.S. Congress is not only serious about reducing heat-trapping emissions, but is also discussing creative ways to support REDD.

Many U.S. policy makers and environmental organizations expect climate proposals to become law in 2009 or 2010. For tropical forests and REDD, this means that one of the world's most powerful economies will soon begin generating significant financial incentives. Following are descriptions of the policies and potential REDD funding associated with the major U.S. climate proposals.

### REDD Provisions in Leading U.S. Bills

Both houses of the U.S. Congress are discussing promising climate bills with REDD provisions. During 2008, the U.S. Senate debated the Lieberman-Warner Climate Security Act. In the U.S. House of Representatives, the Doggett Climate MATTERS and Markey iCAP bills have emerged as top contenders.

All specify economy-wide emissions reduction targets of up to 80 percent below 1990 levels by 2050, and devote portions of auction revenues to REDD. The bills use a traditional cap-and-trade model, under which companies and facilities trade emission allowances (or credits). All three bills require the majority of emission allowances to be sold through bidding-style auctions. The revenue generated from these auctions will be distributed to a variety of programs within the United States and internationally, including REDD.

### The Lieberman-Warner Climate Security Act

The Lieberman-Warner bill was the main climate proposal considered by the U.S. Senate during 2007–2008. Proposed by Senators Joseph Lieberman (Independent from Connecticut) and John Warner (Republican from Virginia), it represents a compromise among several other Senate bills. It was modified and passed by Senate committees in late 2007, and brought to debate on the Senate floor at the beginning of June 2008.<sup>1</sup>

Lieberman-Warner is a cap-and-trade bill covering about 85 percent of the U.S. economy and reducing emissions of covered sectors by 70 percent below 1990 levels by 2050. It contains two kinds of REDD provisions: market-linked funding for additional emissions reductions (beyond those made by the cap) from “international forest protection,” and the potential for REDD credits to enter the U.S. carbon market as offsets. The market-linked funding comes from 2.5 percent of the emissions allowances designated for international forest protection, estimated to generate about \$3.2 billion in financing in the year 2020 with more in later years. The resulting revenue used for REDD will compensate tropical countries for reducing their deforestation emissions, and could provide funds for related costs such as capacity building. The bill allows use of international offsets (of all kinds) for 15 percent of a company's emissions. The bill's proponents make it clear that they support the use of international forest credits as offsets within these limits.

### The Doggett “Climate MATTERS” Bill

The Climate MATTERS bill was introduced by Rep. Lloyd Doggett (Democrat from Texas) in June 2008. In this bill, REDD funding is generated through auction revenues and offsets. The bill specifies auctioning 85 percent of global warming emissions allowances initially and 100 percent starting in 2020. Auction revenues are distributed for various purposes, with 15 percent of total auction revenue reserved for federal deficit reduction. REDD will receive 4.4 percent of the remaining revenue set aside in an account for international forestry. At least 50 percent of the account must be spent in countries that have demonstrated their ability to provide real reductions from REDD. The remaining money (not more than 50 percent) can be used to fund capacity building and related activities.

The proportion of allowances for REDD start quite high, and end much lower, generating substantially more funding for REDD in the first two decades. However, in comparison with other bills, this bill provides the most potential funding for REDD.

The Climate MATTERS bill also includes international offsets from REDD, but to a limited extent. Companies may satisfy as much as 15 percent of yearly allowances through international forest-related offsets. As with the “real reductions”



requirement for half the auction revenues, offsets must adhere to strict quality criteria.

Rep. Doggett described the motivation for his bill as follows: “Our country is the world’s biggest greenhouse gas polluter, and Texas is the biggest greenhouse gas polluter in America. Since Texas represents the biggest source of the problem, we should accept the responsibility to find a solution.”

### The Markey iCAP Act

Introduced by Rep. Edward Markey (Democrat from Massachusetts) in May 2008, iCAP designates 1.5 percent of allowance revenues from 2012 to 2019 for REDD; this is increased to 2.0 percent in 2020–2050. Overall, the iCAP bill specifies auctioning 94 percent of global warming emission allowances initially and 100 percent starting in 2020. REDD funding is distributed according to criteria similar to Climate MATTERS. In addition, countries’ past actions to increase carbon storage in forests or to reduce deforestation are considered to avoid penalizing countries that took early action. In the 2012 through 2020 phase, up to 40 percent of the funds can support “cost-sharing” purposes such as capacity building. Unlike Climate MATTERS and Lieberman-Warner, iCAP does not allow international REDD offsets.

### Significance for International Negotiations

Both Climate MATTERS and iCAP explicitly recognize the importance of capacity building, contributing up to 50 percent of their auction revenues to these endeavors. The Lieberman Warner bill also provides some such funding. All bills require strict quality criteria for countries to demonstrate reductions, in the case of Climate MATTERS and iCAP for at least half of the available funds.

Not only do these bills show support in the United States Congress for REDD, but the criteria specified in these bills

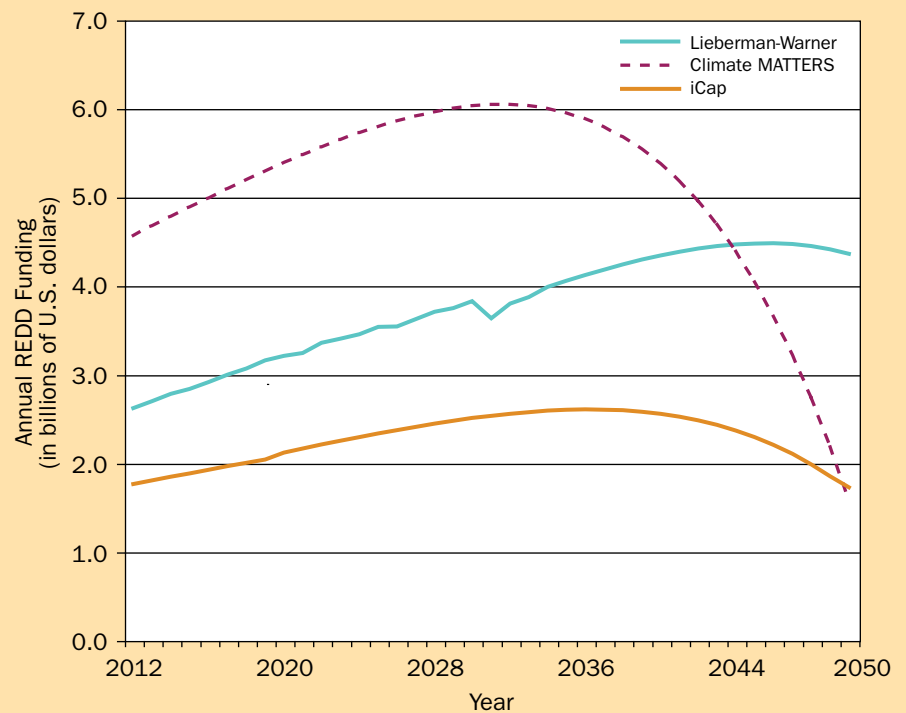
## Emission Reductions of U.S. Climate Bills

	Lieberman Warner	iCAP	Climate MATTERS
Amount of Funding in 2020 (billions)*	\$3.2	\$2.1	\$5.4
<b>Corresponding REDD Reductions</b>			
Million metric tons CO <sub>2</sub>	560	396	815
% of 2020 projected deforestation emissions	16%	11%	23%
% of US 1990 emissions	9%	6%	13%

\*The estimate for the overall amounts of funding is based on carbon prices which were modeled for the Lieberman Warner bill. Since the other two proposals have unique caps which decrease at differing rates, carbon prices, and hence overall funding for REDD, will differ from Lieberman-Warner estimates, creating some additional uncertainty in predicting their REDD reductions.

**The bills would generate significant REDD funding and reductions in 2020 under all three U.S. climate bills.**

### Annual Funding Potential in Proposed U.S. Legislation



demonstrate a willingness to require strict criteria on REDD credits which will lay important groundwork in measuring and verifying REDD activities.

1 Tactics by opponents of the bill led to its withdrawal, although a test vote showed that the bill had majority support.



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