Thank you for this opportunity to intervene on this very important item.

CAN very strongly welcomes the initiative to discuss reducing emissions from deforestation here. We think this discussion is long overdue. Tropical deforestation is responsible for a significant fraction of present carbon dioxide emissions and has huge negative impacts on biological diversity. Reducing tropical deforestation can contribute to reducing overall global greenhouse gas emissions and stay below a 2°C global warming limit, with consequential large biodiversity protection.

Including tropical deforestation in this climate regime however, requires careful attention to ensure the goal of limiting warming to this level can actually be met. We outline some views which we think are relevant to this discussion.

From the point of view of policy approaches and incentives, it is clear that any single approach is unlikely to be suitable for all countries because of different national circumstances and capacities. Two broad approaches have been raised, they are not necessarily mutually exclusive, they include approaches which take on emission crediting and processes which reward reduction in deforestation through other ways.

The means of inclusion of tropical deforestation emissions in the climate regime must ensure that industrialized countries continue make the deep emission reductions consistent with limiting warming to below dangerous levels.

The majority of countries with tropical deforestation will need substantial capacity building in order to participate in any scheme or regime that emerges from these discussions. These issues involve the development of robust baselines or base periods, monitoring and verification. A scheme based on trading would require robust, institutionally demanding criteria to ensure real, verifiable emission reduction from deforestation, backed up with a binding compliance system. It is therefore clear that many countries will need incentives other than a trading system to participate. This is one of the reason that CAN wants to see a full exploration of all options in order to ensure a safe and effective mode of action in rapidly reducing tropical deforestation.

Whatever system is established to reward or provide incentives for reducing deforestation, it needs a sound methodological basis for setting targets, goals and monitoring the progress towards these. These issues need to be discussed in the workshop that is set up. In this context we have several recommendations that should be included in the terms of reference for the future workshop which will be discussed. We think there are a number of important elements that should be on the workshop agenda, these include:

- The full range of policy options under both the UNFCCC and the Kyoto Protocol to provide enabling incentives for developing countries to reduce emissions;
- The architectures that can permit multiple options that are suitable for a wide variety of different national circumstances matched to the different needs in different parts of the country should be examined so that all countries with tropical deforestation can participate in this problem;
- Institutional and technical capacities that would be required for implementing a robust system for reducing emissions from deforestation and the relationship to current institutional and technical capacities in countries with high rates of deforestation;
- The lessons learned from current national and international efforts to reduce deforestation;
- Issues and capacity needs related to setting robust targets and baselines (or base periods), need to be examined including the need for effective monitoring and verification
- Key issues associated with implementing a carbon trading system involving tropical deforestation emissions, including: the implications for emission limits on industrial fossil fuel and other greenhouse gas emissions in relation to the goal of limiting warming to 2°C or below.

We urge that we accelerate discussion in this area and we strongly support the workshop that has been proposed and look forward to participating in it ourselves.