



The Mexico Forest Project Protocol Workgroup

Meeting 6 Meeting Notes January 24, 2011	Meeting was held at the office of CONAFOR in Coyoacan, DF- Mexico
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The meeting was held on January 24th, 2010 at CONAFOR's offices in Coyoacan, Mexico. The meeting started at approximately 9:30 am and concluded at 3:00 pm.

In attendance: John Nickerson (Climate Action Reserve), Cecilia Simon (Climate Action Reserve), Ruben de la Sierra (ASERCA), Leticia Espinosa (Pronatura Mexico AC), Juan Carlos Carrillo (CEMDA), Karla Barclay (Conafor), Francisco Chapela (Rainforest Alliance), Pablo Quiroga (Natura Proyectos Ambientales), Christoph Neitzel (Academic, UNAM), Leticia Gutierrez (Conafor)

Remote: Derik Broekhoff (Climate Action Reserve), Robert Youngs (Climate Action Reserve), Cheri Sugal (Terra Global Capital), Danae Azuara (Environmental Defense Fund), Christina McCain (Environmental Defense Fund) David Ross (Sierra Gorda Alliance for Conservation) MaryKate Hanlon (New Forests), Brian Shillinglaw (New Forests), Bryan Foster (EcoLogic Development Fund), Kjell Kuhne (INE).

Meeting Summary:

The meeting consisted of updates from the various subcommittees since the last workgroup meeting in November and discussions of next steps. There were also presentations from Derik Broekhoff, Policy Director at the Climate Action Reserve regarding AB32 and from Brian Shillinglaw from New Forests regarding nested REDD policy issues. Presentations were also provided from the following subcommittees:

- Jurisdictional accounting/Nested Projects (Yves Paiz, Michelle Passero, Naomi Swickard, Julie Teel, Brian Shillinglaw, Danae Azuara, Cheri Sugal)
- Baselines and Leakage (Alfredo Cisneros, Kjell Kuhne, Cheri Sugal, Steven de Gryze)
- Permanence (Yougha Von Laer, Christoph Neitzel, Carmen Jimenez, Alejandra Cors, Juan Carlos Carrillo)
- Aggregation (Cecilia Simon, David Ross, Pablo Quiroga)
- Environmental and Social Safeguards (Ivan Hernandez, Gmelina Ramirez, Elsa Esquivel)

The meeting began with an overview of the various subcommittees and participants, and the workgroup process in general. John discussed the need for some minor restructuring and addition of individuals to subcommittees, and identified the need for increased participation from stakeholders in Mexico in the Jurisdiction Accounting /Nested Project subcommittee

There was a discussion of the 2011 timeline and goals for the year. The timeline includes an identified date to deliver a workgroup draft of various protocol components to the Reserve for review, the timing of Reserve comments back to the workgroup, and the date of a final workgroup draft submitted to the Reserve. It is expected that a draft of the aggregation methodology will be ready for Reserve review in February of 2011. The draft environmental and social safeguards, as well as the draft permanence guidance are expected to be ready for Reserve review in March. Drafts of the Avoided Deforestation baseline and leakage considerations are expected to be ready in April. Drafts of Reforestation and Improved Forest Management guidance are expected to be ready for Reserve review in May and July 2011, respectively. Eligibility criteria and Monitoring Reporting and Verification (MRV) draft language is expected to be ready for Reserve review in August 2011. Finally, drafts of the nesting and reconciliation language are expected to be ready for review by September of 2011. Since Conafor sees Improved Forest Management as an opportunity, the timeline might have to be modified in order to have the drafts of IFM before. A copy of the timeline has been posted on the Reserve's Mexican Forest Protocol webpage.

The group discussed some of the logic behind the process as currently outlined and the workflow for issues related to leakage and baseline considerations. The issue of nesting and reconciliation with regional and a national baseline was discussed. The importance of working in tandem with a national organization while developing jurisdictional baselines was identified. The goals of national actors such as Conafor and Semarnat need to be considered as this process moves forward. The CAR workgroup has a focus on the technical issues associated with protocol development. The political issues and the way forward working with Conafor, the CTC advisory group, and the MOU stakeholder group will have to be worked out in order for the nesting framework to be viable. There was an extended discussion of the RPP and CTC-REDD workgroup. The political issues surrounding CTC and the vision of the Mexico Forest Workgroup were discussed at length. It was recommended that CAR works along Conafor in order to be synchronized.

Aggregation Subcommittee

Cecilia Simon gave a presentation to the workgroup regarding aggregation rules. The presentation is available on the Climate Action Reserve website. There was a general introduction to the topic and a discussion of the thinking behind the aggregation option, namely the inclusion of more forest owners, and lowering barriers to participation for small landowners. Having third party organizations, such as NGOs, work as aggregators for multiple projects can lower costs to participants and allow for economies of scale for issues such as inventories and verifications. Also, the processes and documentation may be streamlined by dealing with one aggregator with experience in the community, rather than with each individual landowner. In this manner, the aggregator may sign the Project Implementation Agreement with CAR, and other agreements will be in place between the forest owners and the aggregator. Drafts of these documents are being developed currently and will be distributed to the workgroup for comment.

This was followed by a discussion of the proposed limit, or maximum size for small private property (non-ejido or non-communal) forest owners that wish to participate in an aggregation scheme. The current thinking is based around the small landholder definition in the Mexican *Ley Agraria* (Agrarian Law) – defined as 800 hectares. It was mentioned that if *ejidos* and *comunidades* are exempt from the limit, then other private land owners should not be subject to the limit either. There was an extended discussion of the size limit in general and what the limit might achieve in terms of aggregation. The discussion focused on costs, securing the inclusion of small landholders, as well as allowing for larger projects to be pilot or example projects to demonstrate feasibility. At the end of the discussion it was determined that there will be neither minimum nor maximum size limits for a forest owner to participate in an aggregation scheme and that a note will be placed in the Aggregation document if in the future it is determined that a limit needs to be placed for small private property

There was also a discussion of whether different projects participating in an aggregation scheme need to be within the same region, or jurisdiction, forest type, etc. If projects under an aggregation are within the same jurisdiction, the accounting will likely be simpler, and it is likely that potential aggregators will have more experience at a regional level. That said, if an aggregator chooses to have multiple projects that happen to be in different jurisdictions, how would this work? Would one aggregator potentially have multiple aggregation accounts with CAR, (one for each jurisdiction that they have projects in)? It was mentioned that jurisdictions will most likely be states. The term 'jurisdictions' is more flexible; this issue will have to be discussed in greater detail later. Jurisdiction definitions will also depend on some discussions with the CTC REDD. Establishing jurisdictions along governmental boundaries was identified as an important idea, in order to facilitate the political discussions and agreements that will need to be involved. There was a discussion of establishing baselines at the state level and for different ecosystems. The idea of a project that crosses the border of two jurisdictions was discussed, and the problem of reconciliation with the different jurisdictions was identified. Inventory issues were discussed with regard to standardization, with the idea that nationally, and at the jurisdiction level, the inventory methodology should be standardized to Conafor's methodology.

There was also a discussion of what characteristics an aggregator must have in order to participate in the program (i.e. eligibility requirements for aggregators) as a priority issue to prevent abuses of small landowners/. The concept that aggregators would be responsible for avoidable reversals during the first 30 years was re-visited, as well as limiting the possibility that aggregators abandon the program or disband during the interim period. The 30-year period has been identified as an appropriate time due to the legal length of time contracts can exist with ejidos in Mexico.

Some key eligibility requirements were identified, as well as possible ways (e.g. what documentation might be necessary) to establish that an aggregator in fact meets the requirements. The requirements discussed were:

- length of time that the organization has been operational/established,
- the financial stability of the organization,
- registration with a government body,
- if the organization is insured,

- References from the community in which they have worked, from the government, etc.

Conafor works with many local private NGOs, it was mentioned that they possibly have a list of eligibility requirements for these types of organizations, as well as a list of registered foresters, maybe through their technical assessments history. The idea of 'presence in the community' was discussed, and options for aggregators simply having public meetings with the landholders to assure that all parties are aware and agree with what is proposed. Specific requirements for these meetings were discussed. How to standardize this process, and have it not simply be that each aggregator develops and justifies their own process. CDM registrants were discussed, as well as World Bank participants. The idea of a list or roster of organizations with good track records being part of the eligibility assessment was discussed, but the need for a formal set of clear rules for participation with CAR was identified as an important piece. An auditing process was mentioned. The possibility of inclusion of individuals as aggregators was discussed, with issues related to financial liability. At the end of the discussion it was decided that further work will be done at the subcommittee level to establish some of these rules/requirements, which will then be presented to the workgroup for discussion and/or tentative adoption. It was also considered the registered organizations under the CDM Executive Board and the eligibility rules that they describe.

There was a discussion of the contracts that will need to be in place and who will be required to sign them, particularly with regard to contracts between aggregators and *ejidos/communities*. Would the assembly sign? Or the ejido commission, or the *consejo de vigilancia*? How would agreement/inclusion of the rest of the community be demonstrated? Would agreement in the community be based on majority or unanimity? What process should be required for the meetings prior to this point? This should be an established eligibility requirement to assure that the process is fair and equitable to members of the *ejidos/communities*. It was discussed that the Comisariado should sign the Assembly Act, with simple majority, meaning 50% + 1.

Next Steps

- Clean up the documents and circulating to the group for comments
- Work on the PIA and the contracts between aggregator and FO.
- Finish the list of aggregator eligibility requirements (some documentation might need to be reviewed like CEMEFI's indicators and CDM)
- Define the steps to follow in the case where an aggregator disbands while participating in the program.
- Revise some other things like collaterals, bail bonds and guarantees.
- Talk to insurance company if we defined what needs to be insured. Investigate from Agrosemex with Fernando Paz.
- Discuss methods of describing risks and how to manage this risk. Unavoidable reversals are managed by CAR. As an aggregator you want to measure the risk from land tenure and variables from permanence subcommittee. Risk of project reversals associated with land tenure is managed by the aggregator. A reference level should be presented to measure risk so that the aggregator can negotiate with the FO about the fees to be charged per credit sold.

Cap and Trade Regulation in California (AB32)

Derik Broekhoff, Policy Director for the Climate Action Reserve, gave a presentation on the regulation and potential impacts on the international forest carbon sector. The presentation gave a basic overview of the goals and process of AB32 in California, with the purpose being reductions of California greenhouse gas emissions to 1990 levels by 2020. One of the larger pieces of AB32 is the cap-and-trade program which will cap emissions of CO₂ and other GHGs from large sources (over 25,000 tonnes per year) at industrial facility level, affecting 85% of California's emissions, and will achieve over 1/3 of the emissions reductions outlined in the larger global warming regulation.

The California Air Resources Board (ARB) adopted the formal rules for the cap-and-trade system on December 16, 2010. The cap will start in 2012 and ratchet down moving toward the 2020 goal. The program is structured in phases, first affecting the power sector, and then natural gas (NG) and downstream users of NG and other fuels in 2015. The rule that was adopted in December will allow for the use of carbon offsets to meet compliance purposes, with the limit set at 8% of total compliance obligations able to be met with offset credits. (E.g. if a facility must surrender 1,000 tonnes per year, they are able to use up to 80 offset credits.) The offsets provision is intended as a price pressure relief.

The eligible offset credits are to be verified under the four protocols adopted by the ARB, which are based on the protocols adopted by the Climate Action Reserve: US Forest, Urban Forest, Livestock (Biogas) and Ozone Depleting Substances (ODS) destruction. These four currently only apply in the US, but the regulation has left the possibility open for accepting protocols or offset credits from outside of the US. The WCI would potentially open this up to Canada and Mexico. The regulation specifically contains a placeholder outlining the potential for credits from international REDD projects. The US Forest protocol has specific requirements related to permanence and legal enforcement, which allows the offsets to be used as equivalent across sectors. Therefore it is important to address 100-year permanence effectively in the Mexico protocol.

The next ARB meeting (in 6-8 weeks) will include a public workshop to entertain potential inclusion of other protocol/project types. There will also be discussion of how the offsets program will be implemented (e.g. ARB doing it directly, or contracting out administration of the program by third party registries such as the Climate Action Reserve). The details of how and what might be contracted out have not been finalized.

The possibilities for crediting other sectors (such as international REDD) is left open in the regulation. The focus of sectoral crediting has so far been on the forest sector. The regulation puts limits on the amount of REDD credits that can come into the system. The regulation does allow in theory for REDD credits to start during the first compliance period, but it depends on how quickly the rules and processes might be developed and implemented. The regulation does mention specifically that during the first two phases, up to 25% of the available offsets may come from sectoral credits during each phase. During the third phase (toward the final years of the program before 2020), up to 50% may come from sectoral credits. What these numbers amount to (based on projected compliance needs) is an approximate maximum of 74-75 million credits (tonnes) that may come from international REDD over the length of the entire program (2012-2020).

The WCI would expand the scope of the cap-and-trade system in North America which would potentially expand the demand for compliance offsets. WCI in the near term would likely be limited to California and several Canadian provinces (potentially Quebec, Ontario and BC), while other states that have been involved in WCI talks are not ready for implementation yet (e.g. New Mexico, Washington and Oregon). Therefore, while WCI would likely increase compliance demand, the increase may not be as great, particularly when considering the size of California's economy relative to the Canadian provinces'.

The language regarding sectoral REDD in the AB32 regulation is brief, but some key points are identified. There are two general crediting pathways outlined in the regulation: 1) at a jurisdictional level, that is, state-to-state based on reductions against an agreed upon jurisdictional baseline. 2) At the project level, that is, a nested project approach, with credits issued directly to projects (or both jurisdictions and projects). The MOU signed in November 2010 between California, Chiapas and Acre will outline and develop options related to these two crediting pathways. Acre may function as a pilot for state-to-state crediting, while Chiapas may work as a pilot for the nested approach. The MOU will form a working group with representatives from the different jurisdictions. The Climate Action Reserve will be participating in this group and helping to mesh, coordinate, and help with policy questions and possible rules to be adopted. Leiticia from Conafor expressed interest in Conafor's involvement in this process. There was some discussion of the MOU process and relation to the GCF. There was some discussion of the status of Campeche and possible next steps.

Eligibility Requirements

Cecilia gave a presentation to the workgroup that focused on issues that were surfaced in the aggregation subcommittee related to eligibility. The presentation is available on the Climate Action Reserve Mexican Forest Protocol website. The 8 different types of land title were discussed: small private, agrarian *comunidades*, *ejido* groups, parcelized (individual) *ejido* properties, legal/legitimate ownership (documented with the municipality), autonomous indigenous groups, parcelized community landholding (registered with the national Agrarian Registry (RA)), and de-facto ownership (land without official title or registration). Issues related to the different landholder types were discussed, particularly if all landholder types should be eligible, and whether and how the different types might be able to demonstrate ownership. "De-facto" and "Indigenous/autonomous" were identified as two groups with difficulty in demonstrating ownership/title.

Some of the basic required documentation for *ejidos* and *comunidades* was discussed, particularly, the Agrarian Certificate registered with RA, the basic folder or *carpeta basica* which has basic rules regarding land use, disputes, information access, transparency, etc., as well as other statutes and registries. These are some of the mechanisms to assure that there will not be conflicts over title, land use, access rights, etc.

There was a question related to whether one, or a combination of these documents would be required, or all of them. It was noted that Servicios Ambientales de Oaxaca (SAO) requires that all these documents be shown in order for participation. There was a discussion of whether CAR will need to define these eligibility requirements, or

whether the liability/decision can be left up to the aggregator about whether to accept more risky landholder types or not. It was decided that that de-facto possession should be excluded, while more research should be done on the eligibility of indigenous/autonomous land title rights and documentation.

There was a discussion of the indigenous/autonomous property types which, for example in Oaxaca, are managed as 'districts' with their own particular rights. Within these districts can exist various types of property regimes (e.g. *ejidos*, *comunidades*, etc.). The legal requirements and land use decisions, and how they are conducted, was discussed relative to state-levels and indigenous 'district' levels. Even though districts exist, each type of property has its own documentation and rules and follows state and federal laws. Since there exist various types of property within this indigenous property it was determined that it might not be considered as an eligible land type for CAR.

The work of this subcommittee is in its initial phases. Additional work for the subcommittee was identified, and will be distributed to the workgroup.

Next Steps

- Define who will be involved in this subcommittee
- Revise the US Forest Protocol section on Eligibility Criteria, identify what needs to be modified and adapt it to Mexico.
- Modify land tenure list
- Revise *ejidos*' and communities' requirements and what each of those entails.

Jurisdictional Accounting and Nested Projects

Brian Shillinglaw from New Forests gave a presentation to the workgroup regarding key policy decisions related to nested REDD and addressing leakage, additionality, revenue distribution, environmental and social safeguards and permanence. Attracting private sector investment was identified as a key justification for nested REDD, as relying solely on government-to-government funds will likely not supply sufficient monies to combat deforestation effectively (based on current cost estimations for combating deforestation globally).

There was a discussion of the nested project model in general, and ideas related to direct jurisdictional crediting (as being pursued in Acre) or a nested-project approach (as being piloted in Chiapas). The presentation discussed the concept of credit issuance more specifically (e.g. options of issuance to projects, to jurisdictions, a combination of both) as well as the potential issues with the different proposed schemes (such as how to incentivize government actions in scenarios where governments are not issued credits). Non-project specific government policies (such as an export tax on timber) may cause reduced deforestation, but accounting for this may be difficult.

There was also a discussion of accounting and reconciliation, how to discourage or preclude conversion to plantations, and how bi-lateral 'pay for performance' schemes (e.g. Norway) not related to a REDD program are factored into jurisdictional baselines and reference levels. The concept of creating baseline and reference levels was discussed in relation to scale as well as with regards to historical vs. modeled/forecasted deforestation. Risk mitigation (and its importance in attracting private capital) was discussed, particularly in instances of project level performance and jurisdiction *non*-performance, and how credit issuance at the project level would be affected. Also, if

credits are not issued, what financial security can be provided to private investors who may lose money in this situation? Several options of risk mitigation were discussed, including some accounting techniques that can be addressed in the CAR protocol (e.g. reserve banks and leakage discounts), as well as what would need to be addressed at levels outside of this group e.g.: insurance mechanisms (World Bank or private), government guarantees, or payments from agents causing deforestation emissions (would require governmental action and may be politically difficult). There was a discussion of reversals and 100-year permanence, and specifically where liability would fall and what levels (e.g. project or jurisdiction) reversals are measured against. Themes related to Monitoring Reporting and Verification (MRV) were discussed, such as level of resolution, site visits, 'ground truthing,' and frequency of reporting). Legal mechanisms and enforcement were discussed, as well as the inclusion of environmental and social safeguards.

The full document developed by New Forests is available on the Climate Action Reserve website on the Mexico Forest Protocol page.

John re-capped some of the issues presented and discussed the accompanying document regarding the status of the workgroup process. John highlighted the importance of identifying which technical policy questions can be addressed in the workgroup as currently structured, and what political issues must be addressed in the future, such as the development of jurisdictional reference lines and crediting baseline. The workgroup will be looking to collaborate with other entities such as CONAFOR, state governments and the MOU (Chiapas) workgroup. Some other benefits of the nested approach were discussed, noting in particular the ability to ensure performance (as well as permanence) on the ground level, ensure environmental and social safeguards are met where forest actions take place and ensuring more control over how equitability carbon payments are distributed. A summary document has been prepared that identifies where the workgroup thinking is in relationship to the issues raised in the 'Key Policy Issues' paper prepared by Brian Shillinglaw. The document is available on the Reserve's Mexican Forest Protocol webpage.

Next Steps

- Have a call with subcommittee members to define next steps
- Define which questions from the New Forest document can be answered by the workgroup
- Work closely with Conafor and participate in CTC-REDD meetings to follow up on their decisions.
- Provide options related to crediting for projects and jurisdictions and identifying pros and cons associated with each approach
- Develop the mechanics for accounting for project credits from improved forest management, reforestation, and avoided deforestation projects and reconciling with jurisdiction accounting

Baseline and Leakage

John Nickerson gave an update on the work from the baseline and leakage subcommittee. The presentation outlined some next steps for the subcommittee and also discussed progress on getting some localized data from INE from the Monarch Reserve. Deforestation drivers were discussed, particularly with regard to the INE

model. Integrating local level deforestation driver data will help calibrate and develop accurate project level baselines. The basic idea is to develop a 'rate' (i.e. likelihood of deforestation for an area), as well as an 'amount' (that is, what the effects of the deforestation might be – partial degradation, clearing, harvesting, etc.) and then applying the metric to the existing carbon stocks for a project, to develop a deforestation baseline. Developing what project level (i.e. site specific) metrics can be used to calibrate the INE model was discussed.

Next Steps

- Evaluate, after Alfredo has adapted the model to a local level, if it will be a good model to use.
- Currently the Risk Model is based on some parameters and it doesn't take into consideration the decisions made locally or other factors that include government subsidies, development issues or other financing projects (i.e. Payment for ecosystem services).
- Other possible socio-cultural variables need to be identified in order to generate a baseline.
- Find definitions for each deforestation driver. It would be good to translate them to Spanish.
- Further work will consider how the deforestation drivers might be linked directly to the deforestation risk model so that standardized estimates of leakage could be established for projects. Explore alternative mechanisms for leakage assessments and leakage values. It is necessary to amplify the leakage sources available, evaluate its mitigation potential, evaluate standardized data available and reevaluate the leakage factor.
- Assessment of interactions between drivers.
- Re-assessment of the activity shifting leakage deduction factor (CAR Protocol)
- Identify available data to develop standardized solutions to baseline development if possible and explore other alternatives if not.
- Alejandra Cors – will collect information about baseline and methodologies from Rainforest Alliance and Plan Vivo

Environmental and Social Safeguards

The subcommittee gave a presentation on the environmental and social safeguards and presented a matrix comparing the various standards that have been discussed in the workgroup to date: Gold Standard, Plan Vivo, FSC and REDD+ Program CBA and CARE Int'l. The concept of using an existing standard (rather the developing a new one) was highlighted. There was a discussion of which standards cover the most aspects that are important to the goals of the workgroup, and what programs have metrics that can be measured and/or verified objectively. If there are any aspects that might not be covered in a chosen program (e.g. precluding plantations, exotic species, etc.) these rules can be built into the general eligibility requirements in the CAR protocol, in order to fill any gaps that might be identified with a particular enviro/social safeguard program. The idea of projects that may use a mixture of natives and exotics was discussed. In particular, would such projects be eligible, and if so, how would the non-natives be accounted for? There was discussion of the definition of a forest (height, dbh, etc.)

FSC was identified as a standard that covers many of the requirements, and it was suggested that further investigation and attention be given to FSC, that is, what exactly it covers and how, and what else might need to be built into the CAR protocol to accomplish *all* the environmental and social safeguards that are the goals of the workgroup. Therefore, a goal of the subcommittee must be developing a complete list of these safeguards. The high costs of FSC certification were identified. There was a discussion of talking directly with FSC to discuss possibilities for aligning the verification process, and streamlining so that projects might achieve both FSC and CAR verification at the same time. (Many forest carbon verifiers are also accredited to perform FSC certifications). Issues related to small landholders, as well as ongoing verification were discussed.

Next Steps

- Further investigation and attention be given to FSC, what exactly it covers and how, and what else might need to be built into the CAR protocol to accomplish *all* the environmental and social safeguards that are the goals of the workgroup.
- Talk directly with FSC to align verification processes.
- The group will also explore environmental and social safeguards at the jurisdictional level for potential crediting at the jurisdiction level.
- The group will explore how requirements can be developed for public meetings to ensure project stakeholders are aware of project activities. (i.e. tecnicos comunitarios with native language capabilities)

Economic Model

John gave a presentation on the economic model developed for potential projects and their revenue as well as costs. This is an Excel based model that will be distributed to the workgroup for comment. The model takes into account various factors, such as carbon revenue, trust payments after 30 years (due to contract time limit requirements in Mexico), and costs related to project design and implementation, inventories and verifications. The model can be adjusted for different factors, such as length of time between verifications. An example was discussed for a 1,000 acre plot with a baseline of 80 tonnes per hectare, and 100 tonnes per hectare in the project scenario. Workgroup members were encouraged to test the model with different inputs and different intervals to see how this affects the financial outcomes and viability. This should help gauge what policies will have what effects on costs and revenues (e.g. if the verification frequency requirement *increases*, net revenue *decreases*).

There was a discussion of adding an 'atmospheric discount' to the amount that would need to be paid into a permanence reserve account over time. For example, if 40 years go by, and then there is a reversal, that credit has performed better (retained its carbon) for longer than a reversal that happens at year one. Therefore there is the possibility of discounting the contribution put into the reserve pool over time.

Generally, the model should serve to help understand the inputs and requirements being developed for the protocol, as well as the overall financial viability of different projects types.

There was a discussion of sustainable harvest being a vital part of the financial viability of projects, and the carbon revenue serving to incentivize higher rotations, etc. and disincentivize illegal logging and high-stocking. Also, if harvesting is completely eliminated, the risks of jurisdictional leakage will increase.

Next Steps

- Circulate model to workgroup for comments
- Adjust assumptions based on comments
- Share the model with a financial expert for comments, maybe a trust expert.
- Meet with Juan Manuel Frausto or Lorenzo Rosenzweig from FMCN for his input on how the fund works. Ask for an economic analysis.

Juan Manuel Frausto Leyva (jfrausto@fmcn.org)

Director Programa de Conservación de Bosques

Fondo Mexicano para la Conservación de la Naturaleza

Permanence

Next Steps

Some variables discussed include:

- Presence of an NGO in the community
- Governance
- Presence of a communal/ejidal enterprise
- Use of internal rules
- Presence of Ordenamiento Territorial
- Non-tangible value of the land
- Land use
- Fire management and fire trends
- Presence of mobs
- If the land is within a Protected Area
- Documentation is recognized by forest authorities
- If there are processes of development and urbanization in the area
- Clearly defined limits
- No agrarian problems within the community

Upcoming goals for the workgroup were discussed as well as the upcoming meetings of the CTC REDD group in February. Increased engagement with the CTC REDD group was discussed, as well as the possibility to present the progress of the CAR workgroup.

It was also discussed if CAR's meetings should be aligned with CTC-REDD meetings.

The next workgroup meeting is tentatively planned for February 2011, although an exact date has not yet been proposed.