

# REFERENCE DOCUMENT FOR THE DEVELOPMENT OF MATO GROSSO STATE'S REDD PROGRAM

## EXECUTIVE SUMMARY

### ***An agricultural superpower that is controlling deforestation. A 903,000 km<sup>2</sup> state who:***

- Is Brazil's leader in soy and cotton production and has the largest cattle herd
- Has a growing agricultural sector, achieving greater production partly through improved yields in both agriculture and ranching
- Has deforested an average of 7,700 km<sup>2</sup> per year from 1996 to 2005; if it were a tropical nation, Mato Grosso would be, historically, the world's third biggest deforester, after Brazil and Indonesia. But 66% of its Amazon forests are still standing. The average opportunity cost associated with forgone soy or cattle production is \$1,500 (net present value).
- Has reduced deforestation from 11,800 km<sup>2</sup> in 2003, its peak, to 1,000 km<sup>2</sup> in 2009. 62% of the deforestation reduction in the Brazilian Amazon since 2005 was achieved by Mato Grosso.

### ***Mato Grosso has built a state-wide system of forest governance and legislation:***

- State-wide private property registry (SIMLAM) that now includes 30% of the land outside of protected areas and associated environmental licensing of private land use
- Protected areas and indigenous lands covering 4% and 17% of the original forest area.
- Ecological and Socio-Economic Zoning approaching a vote in state assembly
- Program for regularizing rural properties, MT Legal, a new Mato Grosso law.

### ***Mato Grosso REDD***

- Official deforestation reduction target (89% by 2020) is deeper than federal deforestation reduction target (80% by 2020). It will impose opportunity costs of \$6.9 billion from 2010 to 2020 associated with forgone profits from soy and cattle production.
- From 2006 to 2010, Mato Grosso will achieve 900 million tons CO<sub>2</sub>eq emission reductions; of these, 300 million tons CO<sub>2</sub>eq emission reductions are beyond the federal target. The sale of these additional emissions reduction credits will finance MT REDD from 2010 to 2015.
- REDD "Certificates" (C-REDD) are equivalent to one ton of CO<sub>2</sub>eq of emissions reductions below the federal target to be derived, initially, from historical emissions reductions.
- C-REDD's are allocated between six programs or funds directed to: (a) Indigenous Peoples, (b) Protected Areas, (c) Private Forests, (d) Smallholder settlements, (f) State Governance, (g) Insurance Fund.
- Ready in 2010: Private Forest program. Will compensate, at a rate similar to opportunity costs, permanently forgone development rights of private forests that are currently eligible for legal clearing on regularized properties (e.g. through MT Legal).
- Ready in 2010: Pilot projects in the Northwest Mato Grosso Region, in the Xingu River Headwaters Region, and among ranchers and soy farmers.

## PRESENTATION

Reducing greenhouse gases Emissions from Deforestation and forest Degradation (REDD) has become a key component of the global strategy to face climate change. Concurrently, it is considered a huge opportunity to strengthen forest governance, protect biodiversity and improve the quality of life of rural populations in tropical forest areas.

Mato Grosso has a leading role to play for REDD at the national and international scenarios. In the past decades it has been one of the leads of Brazilian Amazon deforestation. On the other hand, it has implemented innovative solutions to improve forest governance, such as the environmental licensing system for rural properties, and has reached a significant reduction in deforestation rates in recent years. Even though part of this reduction might be attributed to economic factors, it indicates the possibility of implementing a policy to sustainably keep deforestation at much lower levels.

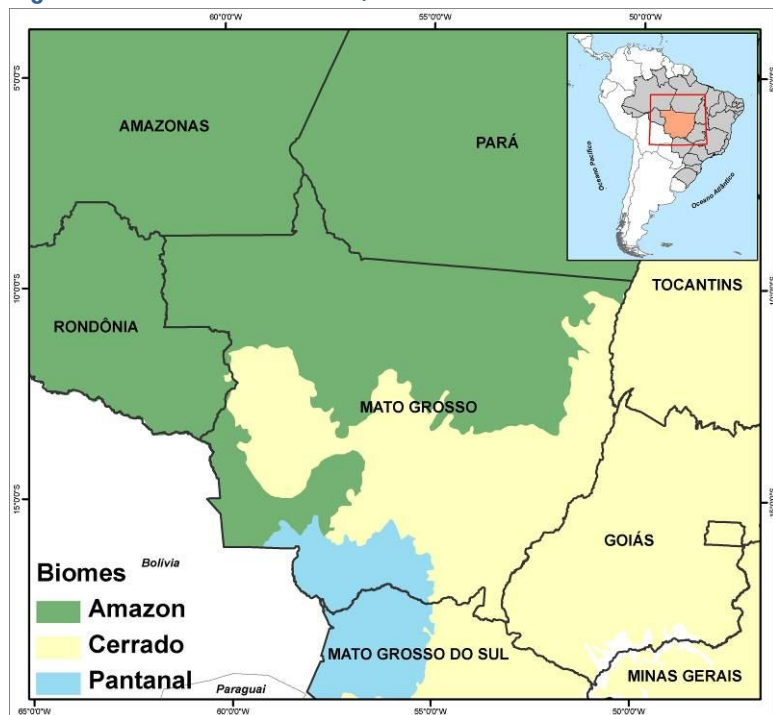
Mato Grosso State's Plan to Control Deforestation has set ambitious, but achievable targets that will greatly contribute to the achievement of Brazil's greenhouse gases emissions reduction goals. It is now necessary to implement a REDD mechanism that will finance and compensate Mato Grosso's deforestation reduction efforts.

This proposal is currently under development by a workgroup composed of the State government, civil society organizations and representatives of various economic sectors of Mato Grosso. It is based on the premise that sub-national governments have a crucial role to play in the development and implementation of actions to sustainably reduce deforestation. In the case of Brazil, this premise is coherent with the responsibilities attributed to the States by the Federal Constitution and environmental legislation, as well as with the functions that States have actually assumed in terms of forest governance in recent years. Thus, it assumes that part of the emissions reductions achieved in Mato Grosso should be managed through a state REDD mechanism. The State will close-follow national developments on REDD policies and will adapt its proposal to fit into a national framework.

## MATO GROSSO STATE – QUICK FACTS

The State of Mato Grosso is located in the heart of the South-American continent and belongs to the Center-West Region of Brazil. With a total area of 903 thousand square kilometers, it represents 11% of Brazil's territory. Its natural habitat is composed of three main biomes: the Amazon forest, the cerrado (savannah) and the Pantanal wetlands (Figure 1).

Figure 1 – Mato Grosso State, Brazil



Source: IBGE

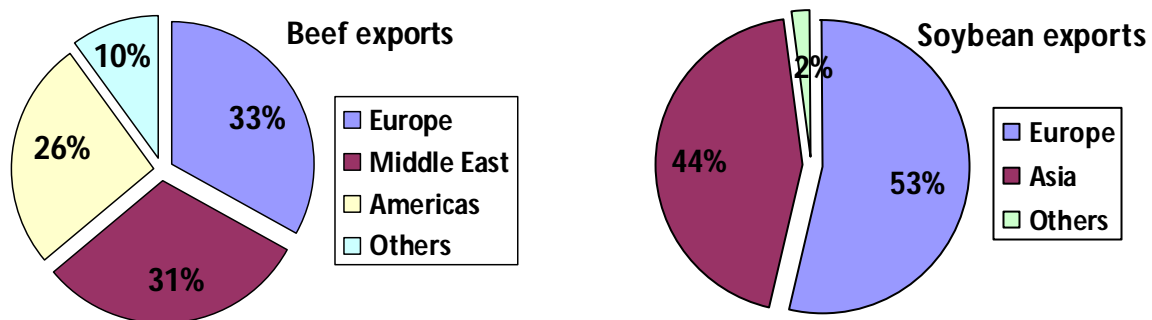
Mato Grosso is a state of relatively recent frontier occupation. Beginning in the 1970s, numerous colonists arrived from traditional agricultural lands in southern Brazil, a diversified mass of small, medium and large landowners enticed by a package of government incentives and investments. Its population now totals 2.85 million people, with an urbanization rate of 76%.

## MAIN ECONOMIC ACTIVITIES

During the last decades Mato Grosso became Brazil's largest producer of grains and livestock. Soybean production has grown at an average 10% per year since 1990 and reached 17 million tons in 2008 (29% of Brazil's production and approximately 8% of the world's total production). During the same period, cotton production increased from less than 0.1 to more than 2 million tons (52% of Brazil's production). Cattle herds grew by 8% annually from 1990 to 2004 and have stabilized at 26 million heads since then. Mato Grosso is also the largest producer and processor of timber in the Amazon, with an average production of 3.6 million cubic meters of logs processed in the last four years.

Most of Mato Grosso's agricultural production is directed to exports. As for soybean, European countries represent 54% of Mato Grosso's exports, Asian countries 44% and other countries 2%; as for beef, Europe is also Mato Grosso's main buyer with 33% of the total, while the Middle East represent 31%, Americas 26% and other countries 10% (Figure 2).

Figure 2 – Mato Grosso’s exports by destination



Source: IMEA

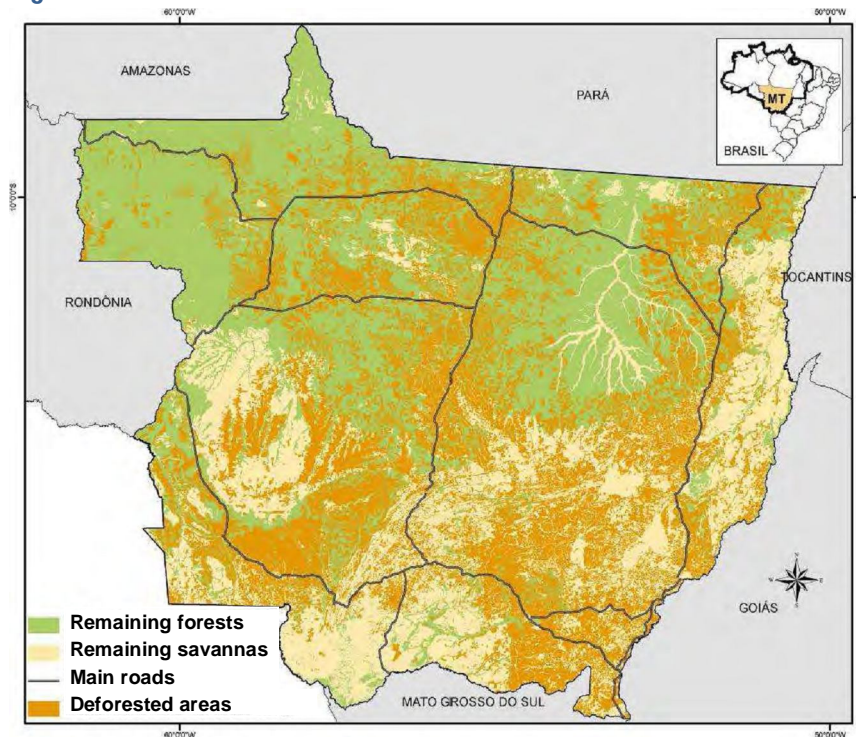
Beside this exports-oriented agribusiness sector, Mato Grosso also has a large number of family farmers, most of whom were settled through public agrarian reform projects.

As a result of the world’s growing demand for Mato Grosso’s products, the state has been one of Brazil’s fastest growing economies. Its GDP amounted to R\$ 42 billion in 2007, an 11% growth (in real terms) over 2006. Agriculture, forestry and livestock account for approximately one third of Mato Grosso’s GDP and are considered the main drivers of the state’s economic growth.

### DEFORESTATION AND FOREST DEGRADATION DRIVERS

In parallel to the expansion of agriculture and livestock production, despite considerable productivity gains, large areas of forests and cerrados were converted into pasture and crop lands during the last decades. Mato Grosso’s agricultural and livestock production currently occupies 335 thousand square kilometers, which represents 37% of the state’s area (Figure 3). More than 55% of these areas were deforested after 1990.

Figure 3 – Deforested areas in Mato Grosso



Sources: Prodes/ Inpe, SEMA (ICV Analysis)

## **Mato Grosso State REDD Program Outline**

The demand for agriculture land is expected to continue increasing strongly in the next decades. A recent FAO report projects that food production should raise by 70% by 2050 in order to meet the world population's growing demand. According to soybean demand projections, the production of this crop is expected to increase by 100 million tons by 2020, only 1/3 of which will be achieved through yield improvement, which might cause Brazil's soybean acreage to grow by 77% (from 22 to 39 million hectares) in the next decade.

All these factors tend to increase the value of land and the opportunity costs of conserving standing forests. For example, average land price in Brazil's Center-West region increased by 47% over the last 3 years, despite the global economic crisis. The average opportunity cost of not deforesting one hectare of remaining forests in Mato Grosso is estimated to approximately \$1,500<sup>1</sup>. It will take strong efforts and investments to continue growing agriculture and livestock production in Mato Grosso without further deforestation.

In addition to deforestation, forest degradation is a growing concern in the Brazilian Amazon and especially in Mato Grosso. In recent years, deforestation rates have reduced but forest degradation rates have not. This might be related to the growth of forestry activities with still poor forest management practices.

### LAND TENURE STRUCTURE

Mato Grosso has 15% of its area protected in 68 Indigenous Lands and 4% protected in 73 Conservation Units<sup>2</sup>. It also has 386 smallholder settlements covering 5% of its territory<sup>3</sup>. The remaining area, which corresponds to 77% of the state's territory, is mostly occupied by medium and large private properties. Approximately 30% of this area is already registered in the SIMLAM system, Mato Grosso's environmental registry for rural properties (Table 1, Figure 4).

**Table 1 – Land tenure status in forest and non-forest areas in Mato Grosso**

Category	Number of areas		Forest area		Cerrado and Pantanal area		Total area	
	#	km <sup>2</sup> '000	km <sup>2</sup> '000	%	km <sup>2</sup> '000	%	km <sup>2</sup> '000	%
Indigenous Lands	68	89	17		45	12	134	15
Conservation Units	73	21	4		12	3	33	4
Official smallholders settlements	386	30	6		12	3	43	5
Other (mostly private properties)	~ 100,000	386	73		308	81	694	77
Registered in SIMLAM	10,700	126	24		81	21	206	23
Not yet registered in SIMLAM	~ 90,000	260	49		228	60	488	54
<b>Total</b>		<b>526</b>	<b>100</b>		<b>377</b>	<b>100</b>	<b>903</b>	<b>100</b>

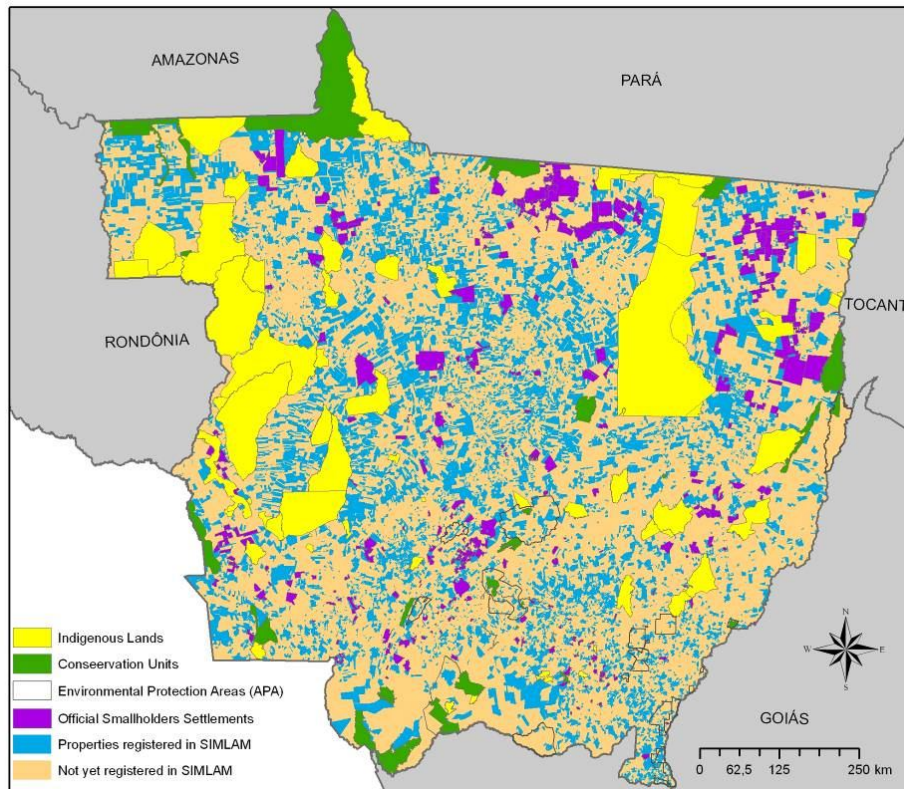
Sources: Simlam (Sema-MT), 2009; Incra, 2009 ; Prodes (INPE), 2008 (ICV Analysis)

<sup>1</sup> Net Present Value of the 30 year cash-flows from converting one hectare of forests (not including cerrado areas) into pastures for cattle raising or crop land for soy production, considering a 5% per year discount rate

<sup>2</sup> Federal, State and Municipal Conservation Units, including the Natural Private Reserve category (*Reserva Particular do Patrimônio Natural – RPPN*), but not including the Environmental Protection Area category (*Área de Proteção Ambiental – APA*) that encompasses mostly private properties

<sup>3</sup> Not including the settlements that are not yet demarcated, nor other areas of consolidated smallholder agriculture

**Figure 4 – Land tenure structure in Mato Grosso**



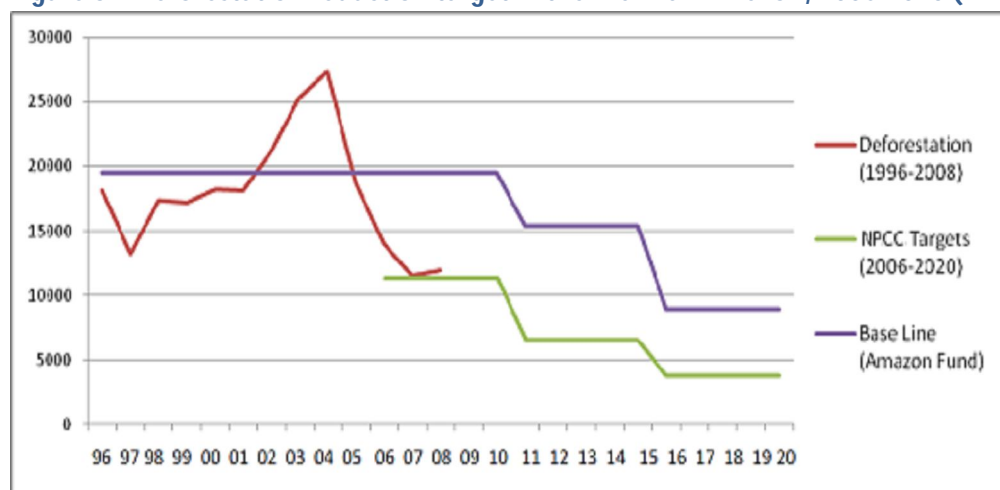
Sources: SEMA, MMA, INCRA (ICV Analysis)

## DEFORESTATION REDUCTION POLICIES

### BRAZIL'S DEFORESTATION REDUCTION POLICY

Brazil has made significant progress in implementing policies to reduce its major source of greenhouse gases (GHG) emissions – deforestation in the Amazon region. The federal government set up in 2004 and successfully implemented a Plan to prevent and control deforestation, established the Amazon Fund and launched the National Plan on Climate Change (NPCC). Moreover, Brazil is adopting a voluntary goal to reduce total GHG emissions by 36 to 39% by 2020 compared to a business-as-usual scenario, meaning an overall reduction compared to the current levels. This goal encompasses a target clearly set in the NPCC to reduce Amazon deforestation rates by 80% by 2020 compared to the 1996-2005 average (Figure 5).

**Figure 5 – Deforestation reduction target in the Brazilian Amazon, 2006-2020 (km<sup>2</sup>)**



Source: Brazil's National Climate Change Plan (NCCP)

### MATO GROSSO'S DEFORESTATION REDUCTION POLICY

With the decentralization of forest governance, the Amazon states have played an increasing role in the country's efforts to reduce deforestation. Especially, Mato Grosso, which accounted for 39% of the total deforestation in the Brazilian Amazon region during 1996-2005, with an average of 7.7 thousand square kilometers per year, has taken bold actions to improve forest governance and curb deforestation. For example, it has implemented a pioneering environmental licensing system for rural properties, which allows for a better control over deforestation, and since 2006, it more than doubled the staff of its environmental agency and strongly increased field enforcement operations. In parallel to this, deforestation rates have decreased to an annual 2.8 thousand square kilometers during 2006-2009, a 63% reduction. Thus, Mato Grosso has contributed with 59% of the deforestation reduction that took place in the Brazilian Amazon in the last 4 years.

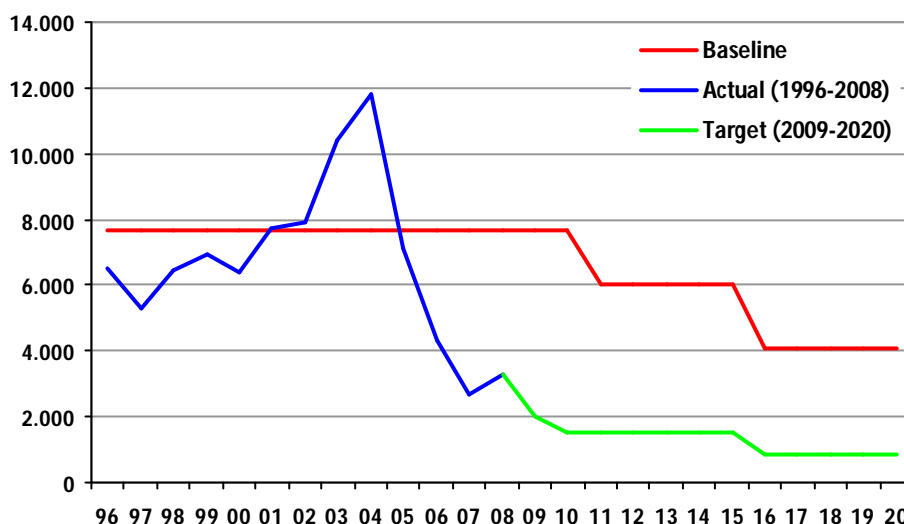
In order to sustain further reduction in deforestation, Mato Grosso launched in November 2009 its own Plan to prevent and control deforestation and fires and adopted a target to reduce deforestation rates by 89% by 2020 compared to 1996-2005 (Figure 6). This target represents more

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than 60% of the national target for deforestation reduction in the Amazon, and approximately 40% of Brazil's total goal of GHG emission reduction by 2020.

These figures demonstrate the expressive scale of Mato Grosso state's challenge within the context of Brazil's international commitments to reduce GHG emissions.

**Figure 6 – Deforestation reduction target Mato Grosso's forest area, 2006-2020 (km<sup>2</sup>)**



Source: Mato Grosso's state Plan to prevent and control deforestation and fires (PPCDQ-MT)

### MATO GROSSO'S DEFORESTATION REDUCTION PLAN

Mato Grosso's action plan to prevent and control deforestation and fires is composed of an integrated set of programs organized in three areas:

- Land use planning: sanction and implement the state zoning; conduct the legalization of rural properties in terms of land tenure and compliance with environmental laws; and consolidate the system of state conservation units, implementing the existing reserves and creating new ones, according to the state zoning;
- Monitoring and control: monitor and report on forest governance through indicators; prevent forest fires and tackle illegal burn practices; and strengthen law enforcement through field operations and improved juridical efficiency;
- Incentive to sustainable activities and economic instruments: implement Payment for Environmental Services; define sustainable criteria for financing agriculture and agroindustry; strengthen training and technical assistance and promote productivity increases, best practices and certification in the agriculture and forestry sectors; and induce sustainable development in rural smallholder settlements.

Among these actions, one of the most important is the "Legal Mato Grosso" (MT Legal) Program, also officially launched in November 2009. This program will promote the regularization of land tenure and environmental compliance of rural properties in the state, through the registry of rural properties into the state environmental licensing system. The system currently has approximately 10 thousand properties registered, covering 30% of the licensable area. With the MT Legal program, it is expected that most of the state's properties will be registered in the next three years.



## PROPOSED REDD MECHANISM

The implementation of REDD is considered vital to make the achievement of Mato Grosso's deforestation reduction targets.

In the proposed REDD mechanism, the State manages a portion of the total emissions reduction achieved in its territory (the remaining part being managed by the federal government).

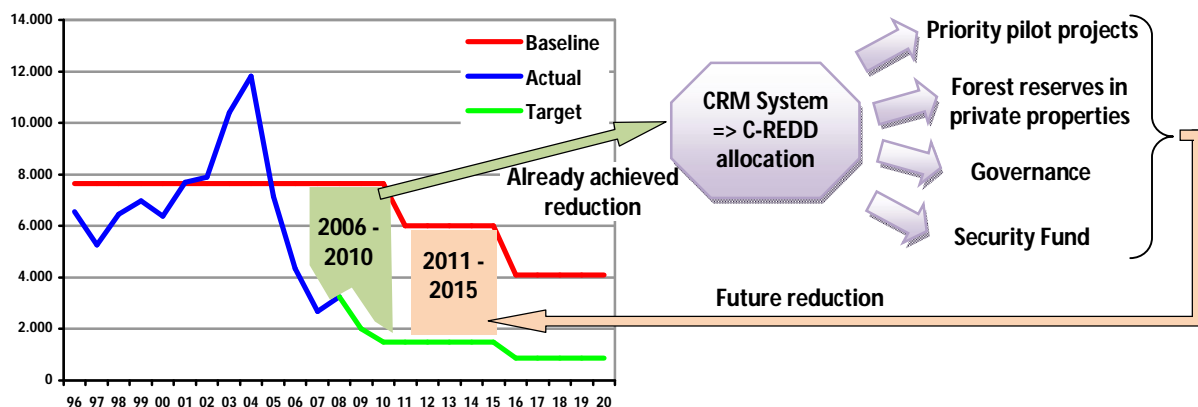
The emissions reductions effectively achieved during a given period of time provide financing for future deforestation reductions. These emissions reductions are converted into REDD Certificates (C-REDD), worth 1 ton of CO<sub>2</sub>e each, to be allocated between six programs or funds for: i) Indigenous Peoples; ii) Conservation Units; iii) Private Forests; iv) Smallholder Settlements; v) State Governance ; and vi) Insurance Fund.

- During the first phase of implementation, Indigenous Lands, Conservation Units and Smallholder Settlements will participate in the mechanism through priority pilot projects that will help to develop adequate approaches and methodologies for state-wide programs.
- The Private Forests program, linked to the State environmental licensing system of rural properties, will provide payments for forest reserves located in rural properties that fully comply with the federal and state environmental laws.
- The Insurance Fund will guarantee the emitted certificates in case deforestation rates in future periods exceed the established baseline.

The allocation of C-REDD will be carried out according to a State Certification, Registry and Monitoring System (Figure 7).

The C-REDD allocated will be marketable, directly by their recipient and/or through a specific state fund to be established for this purpose.

Figure 7 – Mato Grosso REDD mechanism



Source: Mato Grosso REDD workgroup

The implementation of Mato Grosso's REDD mechanism will be managed by the State Climate Change Forum, established in October, 2009, which is composed of representatives of the State Government and Civil Society organizations and the different stakeholder groups involved.

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### POTENTIAL VOLUME OF REDD CERTIFICATES TO BE MANAGED BY MATO GROSSO STATE

Brazil has not yet established a system or set of criteria to determine the amount of emissions reductions from deforestation to be managed at the federal and at the state levels and distributed between the states. In order to produce quantitative estimates for the proposed REDD mechanism, two basic, conservative assumptions were used:

- 1) 50% of the total amount of emissions reductions from deforestation will be managed by the federal government through the Amazon Fund strategy;
- 2) A stock-flow mechanism should be used to determine the amount of emissions reductions to be allocated to each state, according to their performance in terms of maintaining carbon stocks in conserved forests and reducing deforestation rates. In different scenarios calculated by IPAM, the minimum allocation for Mato Grosso would be approximately 30% of the total amount of emissions reduction to be managed at the state level.

Combining these two hypotheses and considering that the deforestation reduction targeted in the NPCC represents an emissions reduction of approximately 1.45 Gt of CO<sub>2</sub>e during 2006-2010, the potential volume of this period's emissions reduction to be managed by Mato Grosso is estimated to 218 Mt of CO<sub>2</sub>e. This represents 25% of the total emissions reduction from deforestation effectively achieved in the state during this period (Table 2).

**Table 2 – Estimate of emissions reduction from deforestation in Mato Grosso, 2006-2010**

	2006	2007	2008	2009	2010	total
<b>Deforestation Baseline (km<sup>2</sup>)</b>	7,657	7,657	7,657	7,657	7,657	<b>38,285</b>
<b>Actual and targeted deforestation (km<sup>2</sup>)</b>	4,333	2,678	3,258	2,000	1,500	<b>13,769</b>
<b>Deforestation reduction (km<sup>2</sup>)</b>	3,324	4,979	4,399	5,657	6,157	<b>24,516</b>
<b>Emissions reduction (MtCO<sub>2</sub>)</b>	122	182	161	207	225	<b>897</b>

Sources: Mato Grosso Action Plan to Prevent and Control deforestation, PRODES/ INPE (IPAM Analysis)

Considering a minimum price of US\$ 5.00 / tCO<sub>2</sub>e, the total amount potentially available for this program is estimated to US\$ 1.1 billion, to be invested during 2011-2015.

### C-REDD ALLOCATION TO PILOT PROJECTS

Pilot REDD projects will be developed in priority regions and will benefit the different stakeholders in the rural areas, including indigenous and other traditional forest people, family farmers in agrarian reform settlements, private properties and conservation units. Pilots might focus on one specific stakeholder group or on an area encompassing different groups.

In order to be allocated REDD certificates, these projects will have to demonstrate measurable, reportable and verifiable GHG emissions reductions and follow a series of principles and criteria to be established by the State Climate Change Forum as part of the development of the REDD Certification, Registry and Monitoring system. These principles and criteria will seek to guarantee the overarching objectives of effectiveness, efficiency and equitability. Among other principles, these projects will have to be developed through a participatory process, promote sustainable economic activities and generate an equitable distribution of benefits among/to the stakeholders involved.

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### Example of priority pilot project: the Northwest Mato Grosso REDD project

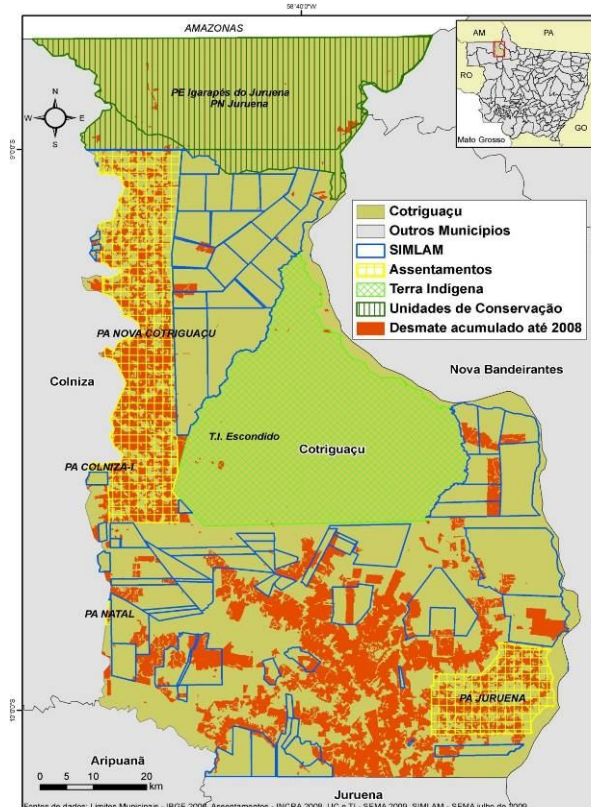
The Northwest Mato Grosso REDD Project is an initiative led by the State Government and the CSOs Instituto Centro de Vida (ICV) and The Nature Conservancy (TNC). It will establish a large-scale, multi-stakeholder REDD experiment in a top-priority area for the contention of deforestation in Mato Grosso.

This region, composed of seven municipalities, is considered the last forest frontier in the State: although it has lost 10,000 square kilometers of forests in the last ten years, it still retains more than 80% of forest cover (86 of its original 104 thousand square kilometers of forests).

The project's implementation will start in the municipality of Cotriguaçu, whose diversity of stakeholders and land categories (protected areas, indigenous land, smallholder settlements and private lands) provides an adequate scenario.

The project's action plan includes:

- for private areas, to register all the rural properties into the SIMLAM system, to provide compensations for forest reserves in excess of the 80% legal requirement, and to promote increased productivity of cattle ranching and improved forest management practices;
- for the indigenous Rikbaktsa people, to strengthen the protection of their territory and promote sustainable economic activities, such as Brazil nut exploration;
- for the state and federal conservation units, to support the regularization of tenure and the implementation of their management plans;
- for the smallholders settlements, to implement a sustainability development program based on the Proambiente approach, to improve income while reducing deforestation and fire.



### Indigenous Lands

The Indigenous peoples play an essential role to contain deforestation in Mato Grosso: they protect 15% of the state's territory, including 89 thousand square kilometers of forests that hold over 3 GtCO<sub>2</sub>. Though Indigenous Lands in Brazil lay under the responsibility of the Federal Government, the Mato Grosso State's REDD mechanism will support Indigenous REDD projects.

A broad consultation process has been under way in the Xingu region and is now starting in the northwest region of Mato Grosso state, setting up the bases for large scale pilot projects. The experience and results of this process will serve as a basis for the development of a state-wide REDD program for Indigenous People.

### State Conservation Units

The effective implementation of the existing Conservation Units in Mato Grosso requires urgent and significant investments. Part of the REDD certificates should be invested into regularizing the land tenure situation of approximately 9 thousand square kilometers of State Conservation Units over the

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next ten years, at an estimated cost of \$ 300-400 million. Another part of the funds should be used to effectively implement the State Conservation Units management plans.

Additionally, the Mato Grosso State zoning indicates 15 potential areas totaling 63 thousand square kilometers for the creation of new conservation units, which will also require funding for their creation and implementation.

In the first phase of implementation of the REDD mechanism, investments in Conservation Units will be carried out through pilot projects, paving the way for the development of a state-wide program.

### **Smallholder Settlements**

As for other rural communities, such as family farmers in agrarian reform settlements, their projects will also be eligible to the Mato Grosso REDD mechanism, although most of these settlements are managed by the federal land agency. The design of these projects should be based on the *Proambiente* program approach, including components of community mobilization and technical assistance to improve production and income, as well as direct payments for environmental services in the form of an allowance for families committed to zero deforestation.

### **C-REDD ALLOCATION TO PRIVATE FORESTS**

It is essential to provide effective incentives for the conservation of privately owned forests, since private lands account for 88% of the accumulated deforestation in the state, and they hold 75% of its forest remnants and corresponding carbon stocks.

The allocation of REDD Certificates to private forests will be based on the SIMLAM system of environmental registry of rural properties and will raise the attractiveness the MT Legal program, which intends to expand this registry to all private areas in the State, allowing greater control over deforestation.

Initially, the allocation of C-REDD will benefit the landowners who have conserved more than the legal minimum of 80% of their properties as forests. There are currently 2,800 properties in this situation registered in SIMLAM, that altogether hold a total of 7 thousand square kilometers (700,000 hectares) of forest reserves in excess of the 80% legal requirement. The mechanism will allocate to the landowners a fixed amount of C-REDD per hectare of these extra forest reserves, in exchange for a formal commitment to conserve these forests during two periods of five years. The C-REDD allocation will be guaranteed during the first 5-year period for the landowners who effectively maintain these forests, but for the second 5-year period it will be conditioned to the availability of C-REDD, which will depend on the continuation of the overall deforestation reduction.

Besides promoting the conservation of those forests that could be legally cut down, this compensation scheme will also provide a tangible incentive for sustainable forest management, which is allowed in private forest reserves but in most cases is not economically competitive vs. agriculture or cattle ranching.

According to preliminary calculations based on opportunity costs estimates, C-REDD allocation for extra forest reserves should range between 50 and 80 C-REDD per hectare at every five years. For the properties now registered in the SIMLAM system, this would represent a potential allocation of 45 to 72 million C-REDD during 2011-2015, corresponding to 20-33% of the total amount of C-REDD potentially available for this period.

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### **STRENGTHENING OF FOREST GOVERNANCE**

The improvement of forest governance is widely acknowledged as fundamental piece of a REDD strategy. On the one hand, poor governance is appointed as one of the major underlying causes of tropical deforestation; on the other hand, strong governance is considered key to make the implementation of economic incentives possible.

The Mato Grosso REDD mechanism will invest 10-20% of the funds raised into governance programs that will not have to demonstrate quantifiable emissions reductions. These programs will have to be additional in relation to the state's obligations in terms of environmental management and will include actions such as: regularizing land tenure and environmental compliance of rural properties; strengthening the environmental agencies' structure and capacity; and implementing a system to measure and monitor emissions from deforestation and degradation.

Specifically, funds will be allocated to promote the insertion into the SIMLAM system, through the MT Legal program, of small-medium size rural properties, thus allowing them access to environmental compliance and to the private forests component of the REDD mechanism.

To support the implementation of the REDD mechanism, the state will implement a REDD Certification, Registry and Monitoring system. The development of this system's legal regulatory framework is under way, within the State Climate Change Forum, as part of the state's climate change policy.

### **CONCLUSION**

This proposition is crucial to the achievement of Mato Grosso's deforestation reduction targets, which represent a major part of Brazil's GHG emissions reduction goals.

It intends to follow the basic principles for REDD/ REDD+ actions in the Amazon, currently under discussion in various discussion forums. Specifically, this proposal:

- Provides an operative solution to integrate National, State and project -level REDD actions;
- Guarantees real, continued and secure emissions reductions: the REDD certificates are emitted based on actual, already achieved reductions and are invested to assure future reductions; and the mechanism includes an insurance fund;
- Considers compliance with the legislation as a basic condition: the private forests component benefits forest reserves in excess of the 80% legal requirement;
- Promotes forest governance improvements: it has a specific governance component and the private forests component is linked to SIMLAM, the state's main forest governance instrument;
- Is based on a participatory and transparent process: its legal and technical framework will be developed by the State Climate Change Forum, which is open to the participation of all the stakeholders involved;
- Enhances the conservation of biodiversity and other ecosystem services: it promotes the large-scale protection of forests in areas of extremely rich biodiversity, among other very relevant ecosystem functions; and
- Promotes socioeconomic development: its private forests component provides incentives for sustainable forest management; and its pilot projects component promotes income generation and sustainable economic activities for all the stakeholder groups involved.

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The next steps to develop the Mato Grosso REDD program include conducting a broad consultation process with relevant stakeholders, such as indigenous peoples, local communities, small and large landowners and industries, mainly through the Climate Change Forum, as well as carrying on the collaboration with the Federal Government to integrate this program within a national mechanism.

**The MT REDD program might generate large and long-term benefits for the global climate, as well as for the conservation of forests and the socioeconomic development of Mato Grosso.**

**However, the possibility of implementing it depends on the existence of strong commitments by developed countries to reduce their domestic emissions, guaranteeing that REDD will support the realization of an ambitious global climate agreement.**

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