

# The System of Incentives for Environmental Services

# Presentation of the System of Incentives For Environmental Services

## 1. Introduction

For decades, the State of Acre has presented itself as a pioneer in the development and execution of environmental public policies. The deep connections of the Acrean culture with the Forest, since the beginning of past century, established a social structure capable of internalizing innovative proposals that allow for economic development balanced with preservation of the environment.

For this reason, since the 1970s – when the introduction of new land uses and an increase in agriculture and cattle ranching generated a strong reaction among social groups living in the forests – Acre has sought to construct viable development alternatives, what later came to be known as sustainable development.

For example, before the realization of Eco92, the State had already created its Environment, Science and Technology Council, which still functions today. It was this council, in partnership with the Forest Council and Sustainable Rural Development Council, that contributed decisively to the creation by the state law for the System of Incentives for Environmental Services (SISA) – a set of principles, guidelines, institutions, and instruments capable of creating an adequate structure for innovative economic development in the XXI Century: the economic valuation of the environment through incentives for ecosystem services.

Therefore, SISA is not just the result of recent environmental trends, but rather anchored in a long historical and cultural process, which give it unique characteristics and that allow for its potential success, which includes the possibility of incentives for environmental services in their most diverse forms: forest carbon through re-

duction of greenhouse gas emissions by avoided deforestation (REDD) or reforestation (an approved model in the Kyoto Protocol), hydrological resources, scenic beauty, climate regulation, and soil conservation, among others.

It is a complex system, in which the creation of an autarchic Institute of Regulation, Control and Registration is envisioned, which will be responsible for guaranteeing the system's technical and scientific credibility in accordance with the best available scientific knowledge. Additionally, there will be an Agency for Development of Environmental Services, with a social and economic focus, responsible for economically-viable projects that use the system to meet the SISA's social and environmental objectives, dynamically adapting itself to other systems, such as a future national system, and sub-national and international mechanisms (that are emerging globally, such as in California, in the United States, and the Japanese and Australian initiatives), or even a desired system organized by the United Nations' Framework Convention on Climate Change. In this way, as will be better defined in the future, there will be ways to guarantee social control in the system, through a State Commission of Validation and Accompaniment, as well as an Inspector General, to permit the participation and constant accompaniment of Acrean society in SISA and its programs.

Along these lines, it should be remembered that SISA is the fruit of a series of discussions with actors from universities, the third sector, the market, international negotiators, and state representatives. The present article intends to describe the context in which this initiative is inserted, its legal structure and its institutional arrangement. It intends to contribute to the national debate about the theme, considering that the

results attained were based on extensive technical and public debates to create a trustworthy environment for promoters, investors, providers and beneficiaries of environmental services and products in Acre.

The reader will be able to understand the process and consolidation of the public policies of incentives for environmental services in Acre, and more specifically, have access to a structured proposal that describes the principles, objectives, guidelines, instruments, and institutional arrangement of a state system for environmental services.

## 2. General considerations about SISA

From the onset, it is important to mention that the solution for environmental problems faced in Amazonia requires a broad and complex joining of state and private actions. The complexity of the problem requires the creation of a new development pattern, which involves the establishment of adequate public policies, the implementation of new forms of production, investment in new products and services, as well as the growth of environmental capacity-building and education, always with a strong participatory element in the formulation and execution of programs. In addition, there must be financial support for sustainable practices, an efficient system of rural technical and forestry assistance, and availability of adequate infrastructure that, in its construction, follows sustainability principles due to the fragility of the regional ecosystem. Because of all this, the goal of the State of Acre – which faced the challenge of recreating itself with a fundamental ethical base in protection of forests and the cultures of forest peoples – is the establishment of an environmental policy that is being transversally introduced across all state policies.

In truth, the challenges posed by global climate change require actions in diverse areas of human activity, including modifications in consumption patterns, maintenance of biodiversity, and new energy sources for transportation and production with the aim for a sustainable economy that is every day less intensively based on carbon. In this sense, Acre created the Policy for Valuation of Forest Assets, which intends to incentivize sustainable production chains and establish public policies that guarantee the protection of standing forests, not only in terms of environmental sustainability, but in terms of ethi-

cal, cultural, economic, political, and social sustainability as well.

As part of this program – through the policy of certification payments for rural properties, for example – Acre is initiating the implementation of an innovative system of incentives for environmental services, based on internationally-constructed principles and objectives to strengthen markets for standing forests and for the preservation of diverse services and ecosystem products.

This proposal is fruit of work by the State Secretariats of Environment and Forests, with support of the Attorney General of the State of Acre, in collaboration with Brazilian and international organizations, such as WWF, IPAM, IUCN, Amigos da Terra, GTZ, KfW, CPWH, EDF, FGV, Forest Trends, The Woods Hole Research Center, Geo-Consult, BioFílica, UFMG, Embrapa and the diverse sectors of society represented by relevant state councils, among other partners that have contributed tremendously to consolidation of the model.

Additionally, the draft law was published and made available through Acre's State Government website, in addition to being sent to 120 people from more than 72 national and international organizations for evaluation and manifestation. To improve the collection of feedback, the document was also discussed in a public forum through 5 meetings with technical staff from local non-governmental organizations (NGOs); 3 workshops of 3 days each brought together potential beneficiaries (indigenous people, extractivists, and rural producers); and a technical seminar included 10 national and international organizations that represented civil society and 7 State Secretariats. A total of 174 people were directly consulted about the proposal, including 30 indigenous people, 50 rural producers and extractivists, 85 technical people from NGOs, and 9 organizations representative of civil society, a process which also included 3 written reports received by email, in addition to feedback by dozens of specialists in the field.

As a result of the consultations, more than 300 recommendations were received for the Program of Environmental Services (PSA) - Carbon Project. These recommendations were recorded and grouped and brought to the relevant state councils for the final debate. Decision-making included the compilation of a consultation report. This report served as the basis for the elaboration of a second version of the proj-

ect that became known as the Program of Incentives for Environmental Services (ISA) - Carbon, whose name reflects one recommendation received.

Hence, this program represents valuable material about which everyone interested in the theme can reflect and can find elements that were heavily debated and that constitute a source for subsequent considerations in other contexts. Still, it is important to keep in mind that the initiative represents one of the elements of a broader policy, which also houses other programs and projects, and will be discussed in more detail to demonstrate the stage of the policies of incentives for environmental services in Acre.

### **3. Inter-relation between SISA and the Program for Valuation of Forest Assets**

In the following section, a synthesis of diverse public policies will be presented, which were collectively constructed and socially agreed upon by diverse social actors in the state, in pursuit of sustainable production. These public policies incorporate a balance between the capacity of rural producers to internalize new production technologies, time to validate new technologies proposed by research centers, the capacity to generate or attract qualified professionals, the financial viability of execution as related to the state budget, the necessary logistics to implant new models, the administrative structure for program management, public and private financing, and an infinity of other variables that were dynamically incorporated through ongoing public debate to establish a realistic and viable timetable based on these diverse aspects.

In this sense, the figure presented below visually demonstrates the program strategy and the public policies involved, which follow two lines: the first focuses on the plan for recuperation of degraded areas, which envisions the introduction of forest plantations; the second focuses on valuation of forest assets, which includes the regularization of forest debt, the State Program for Certification of Family Production Units, subsidy payments for sustainable products, support for sustainable forest management, and in the future, incentives for the reduction of emissions from deforestation and degradation. These programs will be coordinated with the state Forest Management

Plan that allows for community and industrial forest management.

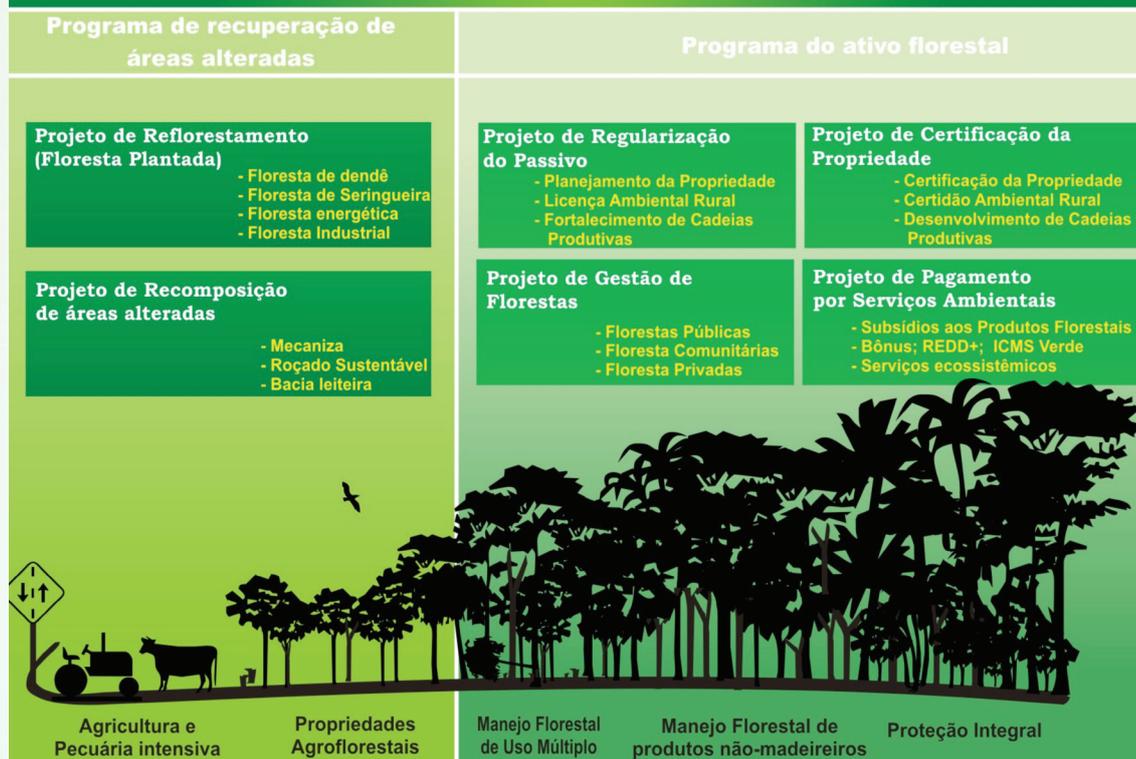
In this way, as seen in the figure, Acre is effectively implementing a policy for valuation of environmental services and forest products, with a focus on biodiversity conservation and on the reduction of greenhouse gas emissions, to consolidate territorial management strategies on different scales and administrative spheres (ecological-economic zoning, local land zoning, ethno-zoning, community development plans).

The policy seeks to promote the adequate use of natural resources and of Acre's territory based on new production technologies; sustainable recuperation and environmental regulation that contribute to climate change mitigation and adaptation and the consequent reduction of greenhouse gas emissions; the sustainable and adequate use of natural resources; the conservation of socio-biodiversity; the conservation of water and hydrological resources; and the generation of income through sustainable production; always using the Ecological-Economic Zoning as a compass. From the moment of implementation, the intention is to environmentally regulate the majority of rural properties in Acre, and insert small producers and family production into a long-term sustainable production process, through what is called "Rede ATER" (network of rural extension), which is an innovative technical assistance service of broad scope.

This public policy is already being implemented through a joint strategy of State Secretariats and autarchies in the field of sustainable development, having been broadly discussed with civil society. This document will now highlight what is known as the "Program for Certification of Family Production Units," developed with the support of producers, debated in the Legislative Assembly and substantiated in the State Law nº 2.025/2008.

The Certification Program encompasses a period of a few years (1 – 7 years) for producers who voluntarily engage in sustainable production, depending on the management capacity of each producer. Producers receive a series of stamps that indicate their level of sustainability, through which they obtain a series of benefits as outlined in article 3º of the law. Currently, the program rules include among other things, a gradual process of fire abandonment, the receipt of a bonus from R\$ 500- 600 to incentivize initiation and continuation of certification, priority for ac-

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cess to other public policies, such as mechanization, access to incentives and finances, and inclusion in sustainable production chains that serve as a base of incentives for environmental services.

On the other hand, the Policy for Valuation of Forest Assets also had the development of a System of Incentives for Environmental Services as one of its priorities, which since the beginning included a REDD model adapted to local characteristics, since fire and deforestation constitute the largest source of Greenhouse Gas (GHG) emissions in the state. It also imagined the opportunity to jointly capture resources with public and private institutions in promotion of, incentives for, investment in, and preparation to respond to future markets for carbon and global environmental services.

The ISA Carbon Program truly represents a broad incentives proposal for activities that reduce emissions from deforestation and degradation (REDD), and, is closely linked to the State Plan for Prevention and Control of Deforestation (PPCD Acre), which is already concluded and linked to the National Plan. The PPCD Acre focuses on the institutional structuring of state government and on articulation between federal, state, and municipal spheres for the prevention and control of deforestation, through territorial zoning with tools for monitoring and environ-

mental control, consolidating itself through the insertion of sustainable production practices with the objective to guarantee reductions in state deforestation rates, in line with previously agreed-upon goals.

The document will now describe and explain the diverse elements that constitute the System of Incentives for Environmental Services, to be able to eventually present the specific characteristics of the REDD Program, known as ISA Carbon.

## 4. The System of Incentives for Environmental Services - SISA

It is important to highlight, in relation to SISA in particular, that for many years the State of Acre has discussed proposals that include policies for environmental services. The Certification Program mentioned earlier is one of these, and the subsidy for natural rubber production by extractive communities, which has existed since 1990, is another.

That said, in 2010, these proposals matured and deepened in large part due to global discussions about carbon markets, mainly those linked to positions by members of the United Nations Framework Convention on Climate Change and the later recognition of the contribution of emis-

sions from deforestation and forest degradation to climate change.

Therefore, Acre opted to construct all of the necessary institutions for a broad system of incentives for environmental services – SISA. SISA was made possible by the promising carbon market and debates with Acrean civil society through public consultations and meetings of the Environment, Science and Technology Council, Forest Council, and Sustainable Rural Development Council. The principal objective of this system is to promote the maintenance and growth of the offer for ecosystem services and products, which include:

- I. the sequestration, conservation, maintenance and increase in carbon stocks and decrease in fluxes;
- II. conservation of natural scenic beauty;
- III. conservation of socio-biodiversity;
- IV. conservation of water and hydrological services;
- V. climate regulation;
- VI. cultural valuation and traditional ecological knowledge;
- VII. conservation and recuperation of soils.

It is clear that the scope of the law is broad and concentrates a large diversity of environmental products and services within one structure. It shares principles, guidelines, and financial and planning instruments for management, control, execution, and is supported by a Fund, an Institute and an Agency, in specific ways that will be discussed later on in the document.

For each item described above, there will be a specific program, comprised of subprograms. These programs will each be created by specific laws. The law includes specific chapters for each type of environmental service, which can be used in the future for legislation on each theme and establishment of clear norms. For the ISA Carbon Program, the law has had depth since the beginning, due to intense debates among the Acrean society about this particular theme and the maturation of national and international markets for carbon linked to Programs for Reduction in Emissions by Deforestation and Degradation – REDD.

#### **4.1. Principles, Guidelines and Objectives of SISA**

In sum, the creation of SISA intends to value Acre's forest assets as a source of environmen-

tal services for present and future generations in Acre, the Amazon region and the planet.

This initiative is a result of the history of Acre and its people, among other factors. There has been widespread societal dissemination of a concept that has permeated local public policy, and pragmatically guides its paths: “florestania” (“forest citizenship”). “Florestania” has become a macro-reference, an apparently abstract concept that has materialized in recent policy decisions, and that can be addressed – only partially, due to its own characteristics – by the following guidelines:

- a) responsible and wise use of natural resources;
- b) recognition and respect for the knowledge and rights of indigenous peoples and of traditional and extractivist populations, as well as human rights;
- c) identity strengthening and respect for cultural diversity, increased quality of life and engagement in poverty reduction;
- d) use of economic incentives for the consolidation of a forest-based sustainable economy;
- e) transparency and social participation in the formulation and execution of public policies;
- f) fair and equitable distribution of economic and social benefits deriving from sustainable development public policies.

These are some basic guidelines that will assure the alignment of SISA with the pathways delineated by Acre's society. They convene with other widely consecrated guidelines, such as the existence of common, but differentiated, responsibilities among different public and private entities; precaution to prevent or minimize the causes of climate changes; and transparency, efficiency, and effectiveness in managing financial resources, with social participation in the formulation, management, monitoring, evaluation and review of the system and its programs.

In accordance with debates realized in Acre and with the broad objectives that substantiate “florestania”, the ISA Carbon Program must seek, among other things, to create and implement financial, economic and management mechanisms that contribute to environmental conservation. On the other hand, it is also an objective of SISA to establish the infrastructure and the instruments needed to analyze and value environ-

mental products and services, through creation of a new institution – the Institute of Regulation, Control and Registration.

This process should happen, nevertheless, by strengthening cooperation on international, national, and sub-national levels, since it deals with “diffuse rights,” whose results directly or indirectly affect the entire global population. This broader vision is also based on the fact that different systems of model financing are currently under international debate, which confirms the need to act locally and think globally.

Acting locally implies promoting the engagement of forest peoples, of rural producers – large, medium and small – and of society in general, to contribute to sustainable development, by using incentives for environment services and products for benefit sharing among all actors that conserve, preserve and recuperate environmental assets.

The proposal of global thinking contemplates the acceptance and internalization, in Acre’s state legislation, of the technical concepts established in the United Nations Framework Convention on Climate Change (Intergovernmental Panel on Climate Change - IPCC), in the Convention on Biodiversity, very frequently forgotten in the global scenario of environmental goods and services, and in the Brazilian National Policy on Climate Change, to reach an alignment of local principles and guidelines with those that exist at national and international scales.

#### **4.2. SISA beneficiaries and providers**

The first challenge for an initiative that proposes solutions for a model of incentives for environmental services is the definition of who can be considered a provider and under what circumstances this provider can be considered a beneficiary of the program. The division between provider and beneficiary is important because SISA bases its functioning on concrete results of environmental conservation and preservation and, in such a way, the participants must be subjected to the process of monitoring, reporting, and verification.

For this reason, SISA considers that providers of environmental services are those who promote legitimate actions of preservation, conservation, recuperation, and sustainable use of natural resources, which comply and converge with the guidelines of this law, of the ZEE/AC (Ecological-Economic Zoning of the State of

Acre), of the State Policy for Valuation of Forest Assets and of the PPCD (Plan for Prevention and Control of Deforestation in Acre).

To be considered an effective beneficiary of the program, the provider of environmental services must be integrated in one of SISA’s programs, to allow for the measurement, monitoring, social control, verification, and accountability of the results of his actions in specific sub-programs and projects.

The right to benefits foreseen in the program is substantiated after the approval of the so called “pre-registration” and registration of each program, a topic to be better explained below, where considerations about the dynamics of SISA’s procedures are presented.

#### **4.3. Instruments for Program Implementation**

As already mentioned, various strategic instruments must be put at the system’s disposal, to create institutional conditions and practices for the fulfillment of its general objectives. There is the need, for example, to institute appropriate planning that results in the creation of programs, subprograms, and projects, which, by decree or by private entrepreneurship (respectively), should be articulated for the establishment of specific objectives, goals, means of execution and timelines.

There is also a possibility of establishing a series of economic, financial, tax, administrative, and credit incentives for the program’s beneficiaries, aiming to promote and develop sustainable activities. For such purposes, the use of the State Environmental and Forest Funds is foreseen, as well as funds that originate from bilateral or multilateral climate agreements; donations made by private or public, national and international entities; national public funds, such as the National Climate Change Fund and others; the sale of credits associated with environmental services and products; private investments, internalized by the Agency for Development of Environmental Services, a private and public joint stock corporation; and, also, state budget funds.

From a tribunal and fiscal viewpoint, state legislation authorizes the government to stipulate differential treatment and exemptions in operations for the purchase of equipment destined to projects associated with SISA and for the sale of products that result from sustainable productive chains, as well as for other cases en-

visioned by and linked to SISA. The legislation also permits tribunal escalation and the reduction, or withdrawal, of tax benefits related to the acquisition of equipment used in activities that cause deforestation or negatively contribute to the development and growth of ecosystem services and products.

#### **4.4. Institutional Arrangement**

One of the most complex matters in SISA is the establishment of its institutional arrangement. An important advancement of Acre's project is the proposal of an arrangement that assures a stable system, since a trustworthy environment is required by the market and, at the same time, the principles and guidelines debated and agreed upon with society. Acre's governance model establishes the need for action in three different settings: public mediation; private investment; and social participation and control.

##### **4.4.1. Regulation, Control and Registration Institute**

Concerning the Program's public mediation, the Institute of Regulation, Control and Registration was created, with the jurisdiction to establish SISA's supplementary norms; approve and homologate project methods; proceed with the pre-registration and registration of subprograms, action plans, and special projects; and issue and register ecosystem services and products. Its jurisdiction also includes the control and monitoring of reduction in greenhouse gases emissions, the plans and projects of the subprograms, and of the fulfillment of SISA's objectives and goals.

In the proposed model, the Institute constitutes the heart of SISA on the public side. For this reason, the Institute, created by law, was given a perennial character, seeking the recognition of its functional legitimacy. As an autarchy, the Institute can possess its own patrimony, to execute, in a decentralized manner, typical government activities under its charge.

Through the Institute, therefore, a system of monitoring, reporting, and verification, and of ecosystem products and services was created – for example, the reduction of carbon emissions through avoided deforestation and forest degradation – to allow for the necessary transparency, credibility, traceability and non-duplicity, which

are essential aspects for the broad recognition and the legitimacy of any model of incentives for environmental services.

##### **4.4.2. State Commission for Validation and Monitoring of SISA**

One of SISA's guidelines is transparency and social participation in the formulation and execution of its actions. The State Commission for Validation and Monitoring of SISA was created to fulfill this guideline, guaranteeing public interest and the system legitimacy.

While the Institute is the central instrument for the regulation and control of the system, the Commission will ensure the commitment and alignment of the norms, subprograms and projects with the true interests of Acre's society in mind.

Due to the importance of the Commission's role, its composition was one of the more heavily debated issues among the State Councils during the construction of the SISA law. Various models were discussed, and it was finally decided that it would be most convenient to bind the Commission to already institutionalized forums.

One of the most important initiatives within the last few years was the proposal of joint meetings and resolutions about fundamental environmental issues, promoted by the three relevant State Councils: the Environment, Science and Technology Council; the Forest Council; and the Sustainable Rural Development Council. The law that institutionalizes these joint meetings effectively creates a "Group of Councils," for the joint deliberation of issues related to their jurisdictions.

The Group of Councils, therefore, has the task of appointing, removing, and replacing members of civil society that comprise the Commission and to proceed with an annual analysis of the Commission's activities, and the right to request information and documents related to the planning, management, and execution of SISA's programs and projects. This will guarantee that the Commission is attached to broader, already existing processes of social participation, and avoid the creation of a new institution that is disconnected from the political actions of active social actors in the environmental sector.

On the other hand, it is foreseen that the Commission for Validation and Monitoring will be comprised of a minimum of eight members, with equal participation of civil society and gov-

ernment institutions. For the fulfillment of its social control objectives, the Commission will have jurisdiction to analyze and approve SISA program standards proposed by the Institute of Regulation, Control and Registration, to express opinions on terms of reference for contracting independent external auditors of SISA, and to define, in conjunction with the Institute, the minimum requirements for approving such auditors. Additionally, the Commission will analyze results of independent audits and recommend the continuous improvement of SISA, to ensure the transparency and social control of SISA programs, subprograms, action plans, and special projects.

#### **4.4.3. SISA's Scientific Committee and the Inspector General Office**

To honor its responsibilities, the Commission or the Institute can request scientific or technical consultancy necessary to execute their jurisdictions with greater efficiency. This support demands very specific qualifications, which is why the decision was made to create a Scientific Committee, as an advisory body, linked to the Institute of Regulation, Control and Registration.

The Scientific Committee is composed of nationally and international reputable researchers, from several fields of human and social sciences, and exact and biological sciences, among others, invited by the State Government, with the purpose of expressing their opinion on strategic technical, legal, and methodological issues related to SISA, bringing the best available scientific knowledge to the system as a critical element for its success and for the recognition of its activities on national and international scales.

It is also envisioned that an Inspector General Office of SISA will be created and linked to the State Secretariat of Environment, with the responsibilities of receiving suggestions, complaints, accusations and proposals from any citizen or entity with respect to SISA issues. The Office can be called upon to report illegal, irregular, abusive, arbitrary or dishonest acts committed by a public servant or private citizen in activities related to SISA, and has the obligation to analyze and monitor the processing of reports or accusations received and to communicate the solutions to the interested party.

The Inspector General Office also has the responsibility to mediate conflicts between different stakeholders of SISA and to clarify doubts about its Programs. The Office can make suggestions to the State Government, and recommend that studies be conducted and adjustment measures be adopted for the purpose of improving SISA.

#### **4.4.4. Agency for Development of Environmental Services of Acre as an Executive Instrument of SISA**

Last, but not least important in the system's institutional arrangement, is the creation of the Agency for Development of Environmental Services. While the Institute represents the heart of the system in terms of regulation and control, the Commission assures social participation and control, and the Scientific Committee legitimizes methods used, none of these institutions would be meaningful without the capacity to execute programs, subprograms and projects, which allow government initiatives to reach the base of the chain. This Agency will function as the legs and the arms needed for the system's locomotion.

If, on one hand, the creation of the public Institute was necessary to regulate and control the system, on the other, it is necessary to have an entity that can speak the language of markets so programs can have practical results.

After much analysis and public debate, the State Government decided to create a private and public joint stock corporation, with the role of promoting and developing environmental service projects. Due to its private legal nature, the Agency can act with this flexible characteristic and "package" subprograms and projects related to SISA from the viewpoint of criteria accepted in the market.

Therefore, the Agency can promote action plans and project elaboration, develop fundraising strategies and attract private investors interested in becoming associates, and secure funding from public, private or multilateral sources by creating feasible action plans and projects. In this way, the Agency shall create specific competences and may offer consultancy services in the conception and execution of private projects, upon the request of potential proponents.

The Agency, nevertheless, is not limited to projects, since it has executive responsibilities in

regards to the system's programs, subprograms, action plans, and special projects. For these responsibilities, it can manage and dispose of assets and credits that arise from ecosystem services and products derived from activities developed within its jurisdiction.

This Agency model responds to the need to seek solutions that join the public sector, which is capable of simultaneously attracting investment with the development capacity of the private sector and of institutions interested in financing and contributing to effective development of models based on an eco-economy and sustainable long-term initiatives.

## 5. The ISA-Carbon Program: A proposal for a sub-national REDD scheme

Among the various environmental services supported by the System, the ISA-Carbon Program has been part of the structure since the beginning, linked to carbon sequestration, stock maintenance and to decreasing the flux of carbon through Reduced Emissions from Deforestation and Degradation - REDD. The theme REDD was first introduced at COP15, held in Montreal in December 2005. According to the United Nations' Framework Convention on Climate Change<sup>1</sup>, the IPCC, in 2007 estimated that deforestation in the 1990s generated emissions of around 5.8 Gigaton of CO<sub>2</sub> per year, which showed that reduction and prevention of deforestation, and consequently carbon emissions into the atmosphere, would represent, in the short, term the largest and fastest global option to mitigate carbon emissions per hectare per year.

The parties to the Framework Convention recognized the contribution of greenhouse gas emissions from deforestation in developing countries to climate change and, thus, after a two-year process, the COP decided to encourage actions to reduce emissions from deforestation, providing various elements and proposals for actions, such as:

- a) Strengthening and supporting existing efforts;
- b) Supporting and facilitating training, technical assistance, and technology transfer related to needed technical

methods and institutional needs of developing countries;

- c) Exploring a range of actions and present options, and taking action to identify the sources of deforestation and enhance carbon stocks through sustainable forest management;
- d) Mobilizing resources to support the efforts mentioned above.

According to the UNFCCC2, the decision also provided a series of indicators for implementation and evaluation, encouraging its members to implement the IPCC's guide to good practices for land and forest use to measure and report emissions. From 2008 to 2009, the SBSTA (Subsidiary Body for Scientific and Technological Advice) began working on the methodological aspects of a broad spectrum of public policy approaches and incentives to reduce deforestation and degradation, which was subsequently discussed and improved upon during the preparation for the Bali Action Plan.

Within this context, in early 2009, the existing planning initiatives for Acre's REDD program were strengthened, focusing on raising funds from future carbon markets based on reduced emissions from deforestation, economic incentives for REDD service providers, and the enhancement of sustainable activities. The objective of Acre's REDD plan, with the guidelines set by the State Plan for Prevention and Control of Deforestation (PPCD Acre) is to access these future carbon markets, as well as private investment funds, and national and international public funds.

The way that REDD is being consolidated internationally is essentially as a financial system, reflecting the specific characteristics of this universe. Its structure is based on payments for forest fluxes, i.e. verification of the effective reduction of greenhouse gas emissions. Therefore, on its own, REDD does not represent a comprehensive protection of Amazonia, which is very diverse, has its own social dynamics and cultures that are deeply rooted in its people, along with a diversity of identities that must be preserved (which cannot be achieved merely through payments for emissions reduction).

These characteristics demonstrate the need to align local actions and standards with internationally established principles, as well as with national legislation, so that Acre's REDD program can finance itself through flux rules yet

1 UNFCCC. REDD: Background. Available at: [http://unfccc.int/methods\\_science/redd/items/4547.php](http://unfccc.int/methods_science/redd/items/4547.php). Accessed on April 17 2010.

2 UNFCCC. REDD: Background.

make investments based on the rules of stocks and fluxes. The aim is thus to manage two very different dynamic realities: the first is a strictly financial sphere represented by the carbon market, which follows market rules of a private and essentially capitalist nature; and the second is a primarily public sphere whose policies follow patterns of political consensus with public policies debated with civil society.

In summary, at stake is a proposal for an “adaptor” or a “connector” between the international system of REDD payments based on forest fluxes with a more comprehensive and complete model of stock and flux, based on guidelines from the concept of “florestania.”

Acre’s ISA Carbon Program, thus, aims to promote the progressive, consistent and continuous reduction of greenhouse gases emissions from deforestation and forest degradation, to reach the voluntary target set under Acre’s Plan for Prevention and Control of Deforestation, thereby financing the establishment of a new standard for sustainable land use and natural resource processing.

This incentives and fund-based instrument supports structural changes in the conventional development model to build sustainable models in both the public and private spheres, with the following specific principles: the monitoring of forest cover, the measurement of reduced carbon dioxide emissions from deforestation and forest degradation relative to a baseline, and verification and reporting of emissions to relevant authorities at national and international levels. Other specific principles of the program include the maintenance and enhancement of carbon stocks through conservation, management, and forest restoration, and the permanence of emission reductions and/or maintenance of carbon stocks.

The intention of Acre’s Government is to create and implement economic, financial, and administrative instruments that contribute to environmental conservation and reduction of greenhouse gas emissions from deforestation and forest degradation, establishment of infrastructure and tools to measure, analyze and report carbon dioxide emissions from deforestation and forest degradation, as well as evaluate the environmental services related to emissions reduction, and to promote conservation, sustainable forest management, and maintenance and enhancement of forest stocks.

These goals should be based on strengthening cooperation at international, national,

sub-national, and local levels, and promoting benefit-sharing for actors that enable the reduction of deforestation and forest degradation, and conserve, preserve and restore forest assets. The ISA Carbon Program also intends, based on institutions created for SISA – Institute, Commission, Committee, Agency and Inspector General – to establish a stable institutional arrangement that guarantees a trustworthy environment for developers, investors, providers, and beneficiaries of environmental services related to carbon dioxide emissions reduction and conservation, sustainable forest management, and maintenance and enhancement of forest stocks in Acre, promoting the institutionalization of a state system based on concepts that are nationally and internationally recognized.

Therefore, the system that was created seeks to ensure the ability to monitor, report, and verify (MRV) the reduction of carbon emissions from avoided deforestation and forest degradation with transparency, credibility, and traceability, promoting a new model for local and regional sustainable development based on low carbon intensity.

In other words, the environmental service that is intended to be developed by Acre’s REDD plan is the reduction of carbon emissions from deforestation and forest degradation, through the use of economic instruments based on fund-raising from environmental conservation and carbon markets for the remuneration of providers of environmental services. Economic instruments will be used in conjunction with the deployment of effective command and control policies, the promotion of sustainable production chains, and improvement of the existing policy model of certification of rural production units, along with tax, credit, and administrative incentives, technical support, sustainable resource management, and land tenure and environmental regularization.

In summary, through the State Secretariat of Environment, Acre is coordinating an enhanced design process of a state policy for Incentives for Environmental Services related to carbon, aiming to standardize and facilitate payments to farmers for the actions of environmental conservation and protection that they provide to the community, while creating viable alternatives to deforestation and the use of fire.

## **5.1. Operations of the ISA Carbon Program**

As previously mentioned, the Agency for Development of Environmental Services will be the unit responsible for the creation of program action plans and also for each sub-program linked to ISA Carbon. To this end, the Agency can establish partnerships that enable greater efficiency and excellence in the process. The procedures for the adoption of these action plans as integral components of the ISA Carbon Program are described below.

Once the State Government establishes the ISA Carbon subprograms, according to research and priorities established in the PPCD Acre and state public policies, the Institute will establish a regulation applicable to each type of plan or project, whose content will be ratified by the Commission and sanctioned by the Scientific Board.

This approach will enable the Agency to create a plan of action for each subprogram, which will, in practice, be manifested in a well-defined REDD project. After its formulation, each project should be subject to local public consultation before being submitted for approval of project registration, and pre-registration of activities and environmental services.

This project registration and “pre-registration” activities, will be issued by the Institute after the Commission’s approval, and must fulfill the principles and criteria established in the rules and regulations, as well as meet the conditions and resources necessary to accomplish their objectives and goals, i.e. the project registration and pre-registration activities would constitute a necessary condition for the action plan or project to be recognized as part of ISA Carbon.

It also means that the subprograms and their respective REDD action plans, structured by the Agency, must comply with specific principles established by law, as mentioned previously. In addition, emissions reduction from deforestation and forest degradation or conservation of forests must be properly documented to ensure the permanence of emission reductions according to the period defined in the plan or project.

In this context, the units of carbon dioxide reduced from avoided deforestation and forest degradation as a result of the implementation of pre-registered plans and projects –

and measured, reported and verified according to the procedures provided in the rules – can be registered with the regulatory agency for the

purpose of certifying emissions reduction from deforestation and forest degradation.

For pre-registration to occur without including unrealistic predictions of reduced emissions, commitment periods based on state targets for reducing emissions from deforestation and forest degradation will be established through legal regulations under the ISA Carbon Program. Thus, to ensure the stability of the accounting system and the objectives of ISA Carbon, the Institute must define a threshold for reportable units of carbon for the pre-registration of action plans and special projects, with reference to the total reductions anticipated under PPDC Acre for a given commitment period.

Considering that the program should contain “commitment periods” with a duration of five years each, the total recordable and issuable units for each commitment period (a fraction of the total emission reduction) will be allocated among the subprograms for purposes of pre-registration of their respective action plans. Total units certifiable (issuable and distributable to sub-programs and projects) should thus be backed by effective reduction of CO<sub>2</sub> emissions from deforestation and forest degradation, considering the state baseline and deforestation dynamics of in the entire state territory.

Therefore, pre-registration and registration will be based on the fluxes associated with reduced deforestation throughout the state, as well as on historical deforestation averages (from a defined period) as prescribed in the regulations. The allocation of recordable units to subprograms and projects will consider, in addition to the flux of reduced deforestation in its area of influence, the maintenance of forest stocks, in accordance with the provisions in their respective pre-registered plans and the rules established by the REDD Agency.

Another important feature of the law is that emissions reductions obtained during the preliminary period of the ISA Carbon Program can be registered for the purpose of sale or completion of goals set by the program, since they were duly certified through methodologies that meet MRV criteria and respect the principles of SISA.

There is an additional idea that the information contained in the state record of forest carbon, established within the Institute, will be public and can be forwarded to relevant national and international institutions for accounting purposes of reduced emissions from deforestation

and forest degradation under national policies and international agreements on climate change and environmental services.

Finally, methods of plans and projects for calculating emissions reductions from deforestation and forest degradation, as well as the baseline for pre-registration and registration of emission reductions, should be compatible with

baseline and deforestation reduction targets defined in Acre's Plan for Prevention and Control of Deforestation.

With this law, Acre aims to initiate a new cycle of preservation and conservation of its environmental assets. It strived to contribute to effective sustainable economic development over the long-term, for populations living in the forest, with the forest, and for the forest, as well as to the consolidation of a low carbon, eco-economy, and of sustainable use of natural resources in Acre. This initiative is a major contribution to contemporary challenges faced by humanity of how humans and the environment can live in harmony.



THE GOVERNOR OF THE STATE OF ACRE

LAW NO 2.308 OF OCTOBER 22, 2010

Creates the State System of Incentives for Environmental Services (SISA), the Program of Incentives for Environmental Services – ISA Carbono, and other Programs of Environmental Services and Ecosystem Products of the State of Acre and provides other measures.

## THE GOVERNOR OF THE STATE OF ACRE

LET IT BE KNOWN that the House of Representatives of the State of Acre decrees and I enact the following Law:

### CHAPTER I

#### STATE SYSTEM OF INCENTIVES FOR ENVIRONMENTAL SERVICES - SISA

**Article 1º** The State System of Incentives for Environmental Services (SISA) is hereby created with the objective of fostering the maintenance and expansion of the offer of the following ecosystem products and services:

- I. carbon sequestration, conservation, maintenance and increase of its stock and decrease of the carbon flow;
- II. conservation of the natural scenic beauty;
- III. conservation of the socio-biodiversity;
- IV. conservation of waters and water services;
- V. climate regulation;
- VI. increase in the value placed on culture and on the traditional ecosystem knowledge;
- VII. soil conservation and improvement.

#### Section I

##### SISA Principles

**Article 2º** SISA shall comply with national and international principles related to the topic, in particular the following:

- I. use of natural resources with responsibility and technical knowledge, for protection and integrity of the climate system, to the benefit of the present and future generations;
- II. common but differentiated responsibilities among the different public and private entities, to the extent of their respective capabilities as for activities to stabilize the concentration of greenhouse gases in the atmosphere;
- III. precaution to prevent or minimize the causes of climate changes and mitigate their negative effects;
- IV. respect for the knowledge and rights of indigenous peoples, traditional and extractivist populations, as well as for the human rights recognized and accepted

- by Brazil before the United Nations Organization and other international commitments;
- V. strengthening of the identity and respect for cultural diversity, acknowledging the role of traditional and extractivist populations, indigenous peoples and farmers in the conservation, preservation, sustainable use and recovery of natural resources, especially the forest;
  - VI. fostering of national and international cooperation, aiming to the interoperability and recognition of activities, actions, services, products and credits resulting from SISA's programs;
  - VII. compliance with Federal Law no. 12.187, of December 29, 2009, that established the National Policy on Climate Changes, as well as national policies and general rules that regulate incentives and payments for environmental services;
  - VIII. compliance, by the programs tied to SISA, with the provisions established in Law no. 1.904 of June 5, 2007, that established ZEE/AC (Ecological-Economic Zoning of the State of Acre) and the guidelines of the State Policy for Appreciation of Environmental Forest Assets;
  - IX. fairness and equity in the distribution of economic and social benefits deriving from products and services tied to programs associated to this law; and
  - X. transparency, efficiency and effectiveness in managing financial resources, with social participation in the formulation, management, monitoring, evaluation and review of the system and its programs.

**Sole Paragraph.** The state public authorities are competent to manage, plan, formulate, implement, monitor, assess actions and create rules aiming to the protection of the environment, forests, hunting, fishing, fauna, nature conservation, protection of the soil and natural resources and pollution control and consequently the reduction of greenhouse gas emissions from land clearing and forest degradation, maintenance of forest carbon stocks in the State and provision and conservation of other environmental services and ecosystem products, under articles 23, 24 and 225 of the Brazilian Constitution, as well as under Federal Law no. 11,284, of March 2, 2006 - Public Forest Management Law and the Brazilian Forest Code.

## Section II Definitions

**Article 3º** For purposes of this law, the following definitions shall apply:

- I. ecosystems: spatially delimited units characterized by the specificity of the interrelations between biotic and abiotic factors;
- II. environmental or ecosystem services: relevant ecological processes and functions generated by ecosystems, in terms of maintenance, recovery or improvement of environmental conditions to the benefit of the welfare of all human societies, in the following modes:
  - a) provision services: those that directly provide environmental products or goods utilized by humans for consumption or commercialization;
  - b) support services: those promoting nutrient cycling, waste decomposition, production, maintenance or renewal of soil fertility, pollination, seed dispersal, control of potential pest populations and potential human disease vectors, protection against ultraviolet solar radiation, maintenance of biodiversity and genetic wealth, among others that maintain the continuity of life on Earth;
  - c) regulation services: those promoting carbon sequestration, air purification, moderation of extreme weather events, maintenance of the hydrological cycle balance, minimization of floods and droughts and control of

- critical erosion processes and landslides, among others that contribute to maintain the stability of ecosystem processes;
- d)** cultural services: those providing recreational, aesthetic, spiritual or other intangible benefits to human society.
- III.** PPCD/AC: Plan for Prevention and Control of Land Clearing and Burnings in the State of Acre,
- IV.** forest carbon stock: a component of a given natural ecosystem or of an ecosystem modified by human activity, as measured by the biomass and necromass weight converted to carbon;
- V.** carbon sequestration: the capture of greenhouse gases through the growth of forest vegetation and the sustainable use of soil;
- VI.** soil conservation and improvement: the maintenance, in the soil areas that are still intact, of their attributes; and, in soils in a process of degradation or degraded, the recovery and improvement of their attributes, with environmental and economic gains;
- VII.** scenic beauty: the aesthetic, environmental and cultural value of a given natural landscape;
- VIII.** water services: maintenance of the water quality by regulating the flow of the waters, sediment deposition control, conservation of aquatic species and habitats, the amount of nutrients, as well as the deposition of chemicals and salinity;
- IX.** socio-biodiversity: a set of conditions, laws, influences and physical, chemical and biological interactions between ecosystems and their components, and between them and human populations through culture, and that allows and governs life in all its forms and protects species, natural and artificial habitats and genetic resources, plus the improvement of the quality of life;
- X.** MQVRT: a system based on nationally and internationally recognized concepts that ensure the capacity to measure, quantify, and verify - MQV, plus the recording and transparency of environmental assets - MQVRT;
- XI.** programs: sets of guidelines and actions to reach certain ecosystem services and products;
- XII.** subprograms: sets of guidelines and actions contained in each program, developed to meet priority areas, specific beneficiaries/providers or certain sectors of the economy;
- XIII.** action plans: plans prepared by the Agency for Development of Environmental Services, in the scope of SISA's programs and subprograms, to be submitted to the Regulation, Control and Registration Institute through projects;
- XIV.** special projects: projects prepared by private individuals, aiming to the implementation of actions not included in the subprograms, to be submitted to the Regulation, Control and Registration Institute;
- XV.** ecosystem products: products resulting from ecosystem processes and/or obtained from ecosystems, such as water, carbon, foods and fibers, timber, genetic resources, medicinal, pharmaceutical, ornamental and natural extracts, among others;
- XVI.** increase of the value placed on the traditional ecosystem knowledge: increase in the value placed on the knowledge about the management and use of natural resources and ecotourism activities, deriving from cultures tied to indigenous, traditional and extractivist communities or of rural producers, associated to the preservation, maintenance, recovery or conservation of natural resources, with the due respect to their form of organization, recreation, aesthetic and spiritual expression, as well as their information and individual or collective practices;
- XVII.** climate regulation: benefits to society resulting from the management and preservation of natural ecosystems, contributing to the climatic balance and thermal comfort;

- XXVIII.** greenhouse gases - GHG: gases, both natural and anthropogenic, that make up the atmosphere and absorb and re-emit infrared radiation, contributing to the increase in the global temperature;
- XXIX.** emissions: the release of greenhouse gases in the atmosphere, or the release of its precursors, within a defined space and time;
- XX.** prior registration: the prior registration of ecosystem services and products, as well as of potential verifiable emission reductions, provided for in a particular program, subprogram, action plan or project, fit for the issuance of SISA certificates;
- XXI.** registration: a physical or electronic system for the record-filing and bookkeeping of programs, subprograms, action plans, projects, environmental services and ecosystem products, with the purpose of creating an environment of transparency, credibility, traceability and interoperability for SISA;
- XXII.** carbon flow: net emissions of greenhouse gases in units of carbon dioxide equivalent;
- XXIII.** group of councils: is the meeting of State Councils for Environment, Science and Technology, of Forests and of Sustainable Rural Development, for reaching joint deliberations about matters within their competence;
- XXIV.** baseline: a reference for establishing the voluntary goal of reducing emissions from land clearing and forest degradation, as defined by decree and based on PPCD/AC, after consulting the Group of Councils, aligned with the emission reduction goal provided in Federal Law no. 12.187/2009, to be determined in terms of the best scientific knowledge available at the time of its establishment; and
- XXV.** REDD+: the reduction of greenhouse gas emissions from land clearing and degradation, to the flow of carbon, sustainable forest management and conservation, maintenance and increase of forest carbon stocks.<0}

**Sole Paragraph.** For purposes of this law and its regulation, and respecting the best scientific knowledge available, the definitions established as follows are adopted herein: by the United Nations Framework Convention on Climate Changes (Intergovernmental Panel on Climate Changes - IPCC), by the Convention on Biodiversity (Intergovernmental Scientific-Political Platform on Biodiversity and Environmental Services - IPBES), in the text and in the deliberations in the scope of the UN Convention on Fighting Desertification, the Convention on Wetlands of International Importance (Ramsar Convention), and as provided for in Federal Law no. 12.187 of 2009, that provides about the National Policy on Climate Changes, in addition to other national and international rules governing the subject.

### **Section III**

#### Providers of SISA environmental services

**Article 4º** Providers of environmental services are those that promote legitimate actions of preservation, conservation, recovery and sustainable use of natural resources, that are also adequate and consistent with the guidelines of this law, with ZEE/AC, with the State Policy for Appreciation of Environmental Forest Assets and with PPCD/AC.

### **Section IV**

#### The beneficiaries of SISA

**Article 5º** The providers, for being considered beneficiaries of SISA, must be integrated in the programs, subprograms, action plans or special projects approved under this law, and comply with the requirements contained therein.

**Sole Paragraph.** The entitlement to benefits provided for in SISA will become effective only after approval of the prior registration proposal, under the regulation, and after the fulfillment of commitments assumed.

## **Section V** SISA instruments

### **Subsection I** Participation, management, control and registration instruments

**Article 6º** The following are SISA's participation, management, control and registration instruments:

- I. the Regulation, Control and Registration Institute;
- II. the State Commission for Validation and Monitoring;
- III. the Scientific Committee; and
- IV. the SISA Ombudsman Office.

**Sole Paragraph.** The purpose of the instruments provided for in this article is to establish a stable institutional arrangement that assures an environment of trust for fosterers, investors, providers and beneficiaries of environmental services.

**Article 7º** The Regulation, Control and Registration Institute, a special self-managed governmental entity that is economically and financially autonomous and administratively independent, is hereby created, and will be supervised by SEMA (State Environment Department) and shall have authority to:

- I. establish supplemental SISA rules;
- II. approve, after the Scientific Committee expresses its opinion, and under the regulation, the methodologies of projects and action plans submitted by the Agency for Development of Environmental Services or by proponents of special projects;
- III. homologate pre-existing methodologies for developing action plans and projects;
- IV. authorize and/or make the prior registration and registration of action plans and projects;
- V. authorize and/or issue certificates of reduced greenhouse gas emissions, regulate and make the respective registration;
- VI. control and monitor the reduction of greenhouse gas emissions, as well as the fulfillment of goals and objectives established in each action plan or project that has received prior registration;
- VII. authorize the issuance and/or issue, regulate and register other ecosystem products and services, under this law;
- VIII. validate methodologies for registration and certification;
- IX. accredit companies to conduct projects in the scope of SISA, under the regulation; and
- X. take other actions defined by the regulation.

**Paragraph 1 -** The rules referred to in indent I of the heading of this article shall be prepared and published by the Institute after they are approved by the State Commission for Validation and Monitoring, subject to the recommendations of the Scientific Committee, under the regulation.

**Paragraph 2 -** The revenues intended for the fulfillment of the Institute activities may derive from donations and/or investments from public, private or multilateral funds, from the collection of the finan-

cial value of SISA's control and registration activities, as well as from budgetary resources intended to it, among other sources established by regulation.

**Article 8º** The position of Chairman of the Regulation, Control and Registration Institute will be exercised by the Chief Executive Officer, appointed by the State Governor.

**Paragraph 1 -** The Chief Executive Officer will earn a remuneration equal to eighty percent of the remuneration of Secretary of State.

**Paragraph 2 -** The bylaws of the Regulation, Control and Registration Institute will establish the rules for the replacement of the Chief Executive Officer during his absences and impediments

**Article 9º** Twenty commissioned positions identified by the acronym CEC, that may be classified by its Chief Executive Officer according to the symbols CEC-1, CEC-2, CEC-3, CEC-4 and CEC-5, with the same remuneration as provided for in article 26 of Complementary Law no. 191 of December 31, 2008, are hereby created in the basic structure of the Regulation, Control and Registration Institute.

**Sole Paragraph.** According to the implementation of the services, the monthly overall amount of the CECs created in the heading of this article shall not exceed fifty thousand reals (R\$ 50,000.00), not including the corresponding social and social security charges.

**Article 10º** Bona Fide Positions are hereby created in the basic structure of the Regulation, Control and Registration Institute, classified in ten levels corresponding to the symbols FC-1, FC-2, FC-3, FC-4, FC-5, FC-6, FC-7, FC-8, FC-9 and FC-10, corresponding to the respective remunerations provided for in article 28 of Complementary Law no. 191 of December 31, 2008.

**Sole paragraph.** The concession of the Bona Fide Positions created in the heading of this article, according to the implementation of the services, shall have a reference monthly value of up to twenty thousand reals (R\$ 20,000.00), not including the corresponding social and social security charges.

**Article 11º** The State Councils for Environment, Science and Technology, for Forests and for Sustainable Rural Development may set up collegial body – the Group of Councils , for making joint deliberations on matters within their competence, and particularly, for purposes of this law:

- I. to recommend, for appointment, removal or replacement, members of the civil society that compose the State Commission for Validation and Monitoring;
- II. to analyze the annual reports submitted to it about the activities of the State Commission for Validation and Monitoring;
- III. to request information and documents regarding the planning, management and execution of the programs, subprograms and projects tied to SISA; and
- IV. to decide for the increase of the number of members in the State Commission for Validation and Monitoring, but the parity between the civil society and the Public Authorities is to be maintained.

**Sole Paragraph.** The decisions to increase the number of members in the State Commission for Validation and Monitoring shall always meet the requirement of an even number of members in the final composition.

**Article 12º** The State Commission for Validation and Monitoring shall be composed of at least eight members, whereby an equal number of members from the organized civil society

and from the Public Authorities will be assured, with the civil society representatives being appointed by the Group of Councils from among its members.

**Paragraph 1** The State Commission for Validation and Monitoring shall be tied to the Regulation, Control and Registration Institute, and it will be competent to:

- I. ensure the transparency and social control of the SISA programs, subprograms, action plans and special projects;
- II. analyze and approve proposals for SISA rules submitted by the Regulation, Control and Registration Institute;
- III. express its opinion about a reference form for contracting independent external auditors of SISA and to define, in conjunction with the Regulation, Control and Registration Institute, the minimum requirements for its homologation;
- IV. analyze the results of independent audits and recommend the permanent improvement of SISA;
- V. prepare and submit annual reports about its activities to the Group of Councils;
- VI. request information and documents related to planning, management and execution of programs, subprograms and projects tied to SISA; and
- VII. take other actions defined by regulation.

**Paragraph 2.** The Commission members shall be appointed by Decree, whereby the members from the Public Authorities shall be freely chosen by the State Governor from among representatives of public institutions belonging to the Group of Councils.

**Paragraph 3.** The voting procedures and criteria at the Council shall be established by Decree.

**Article 13º** The Scientific Committee, a body tied to the Regulation, Control and Registration Institute, is hereby created, and shall be composed of personalities of national and international reputation, from several fields of human and social sciences, exact and biological sciences, among others, invited by the State Governor or by the Regulation, Control and Registration Institute, for the purpose of expressing their opinions on technical, scientific, legal and methodological issues related to SISA

**Sole paragraph.** A financial incentive for participation in each session of the Committee, corresponding to up to ten percent of the remuneration of the Chief Executive Officer of the Regulation, Control and Registration Institute is hereby created as established by Decree.

**Article 14º** The Ombudsman Office of SISA, that shall consist of one ombudsman chosen as set forth in the regulation, is hereby created, and will be tied to SEMA with the following duties:

- I. to receive suggestions, complaints, accusations and proposals from any citizen or entity regarding SISA issues;
- II. to receive reports of illegal, irregular, abusive, arbitrary or dishonest acts committed by a public servant or private citizen in activities related to SISA;
- III. to analyze and monitor the processing of reports or accusations received and communicate the solutions to the party concerned;
- IV. to suggest to the State Public Authorities, by means of recommendations, that studies be conducted and that adjustment measures be adopted with the purpose of improving SISA or supporting the activities of the Ombudsman Office itself;
- V. to mediate in conflicts among the several SISA players, seeking to clarify doubts about the execution of the programs, subprograms, action plans and special projects; and
- VI. to take other actions defined by the regulation.

## **Subsection II**

### Execution instrument

**Article 15º** The state Public Authorities are hereby authorized to create the Agency for Development of Environmental Services of the State of Acre, in the form of a private and public joint stock corporation, of indefinite duration, with headquarters and venue in the city of Rio Branco, to be supervised by SEF (State Forest Department) and the purpose of which will be:

- I. to develop strategies aimed at raising financial resources and attracting investments in programs, subprograms and action plans;
- II. to raise financial resources from public, private or multilateral sources, in the form of donations and/or investments;
- III. to create action plans and projects related to them;
- IV. to assist in the conception and execution of special projects for environmental services, upon express request of potential proponents;
- V. to execute programs, subprograms, action plans and projects;
- VI. to establish partnerings for the creation and execution of subprograms, action plans and projects for environmental services;
- VII. to manage and alienate, to the extent of its competence, assets and credits resulting from ecosystem services and products deriving from the programs, subprograms, plans and projects; and
- VIII. take other actions provided for in the regulation or established in the instrument that creates the Agency.

## **Subsection III**

### Planning instruments

**Article 16º** The following are planning instruments of SISA, among others:

- I. action plans and projects related thereto, the subprograms and programs; and
- II. special projects to be submitted by private initiative.

**Paragraph 1.** SISA may be implemented through subprograms specifically developed to serve priority areas, specific providers/beneficiaries or certain sectors of the economy.

**Paragraph 2.** The subprograms shall be created and regulated by the State Executive Branch.

**Paragraph 3.** The action plans and the projects tied to them shall be prepared primarily by the Agency for Development of Environmental Services.

**Article 17º** The prior registration of action plans and projects submitted, to be done with the Regulation, Control and Registration Institute, attests the compliance with the principles and criteria established in this law, and it is a necessary condition for them to be recognized as an integral part of SISA.

## **Subsection IV**

### Economic and financial instruments

**Article 18º** The following are the economic and financial instruments of SISA, in addition to those that may be created by regulation:

- I. the State Forest Fund, created by Law no. 1.426, of December 27, 2001, and the Special Fund for the Environment, created by Law no. 1.117, of January 26, 1994;

- II. economic, tax, administrative and credit incentives granted to beneficiaries and proponents of SISA;
- III. national public funds, such as the National Climate Change Fund and others;
- IV. monies deriving from adjustments, management contracts and agreements entered into with bodies and entities of the public federal, state and municipal administration;
- V. resources from bilateral or multilateral agreements on climate;
- VI. donations made by private or public, national and international entities;
- VII. budgetary resources;
- VIII. proceeds from the commercialization of credits related to environmental services and products;
- IX. private investments; and
- X. others established by regulation.

**Paragraph 1.** The resources intended to SISA through the State Forest Fund and the Special Fund for the Environment shall be tied to the goals of the system.

**Paragraph 2.** The State Forest Fund and the Special Fund for the Environment are hereby authorized, under the legislation in force, to apply resources in investment funds regulated by the Securities and Exchange Commission.

### **Subsection V**

#### Tax instruments and tax incentives

**Article 19º** Under the current legislation, the Executive Branch is hereby authorized to stipulate, in the form and under the conditions it may establish:

- I. differentiated tax treatment and exemption for the following operations:
  - a) purchase of equipment intended for the programs, subprograms and projects tied to SISA;
  - b) sale of products resulting from the fostering of sustainable productive chains; and
  - c) other cases related to SISA, as defined by regulation.
- II. increase in the tax load and reduction or revocation of tax benefit on the acquisition of equipment intended to production activities that result in land clearance or that contribute negatively to the development and enhancement of ecosystem services and products.

## **CHAPTER II**

### **PROGRAM OF INCENTIVES FOR ENVIRONMENTAL SERVICES – CARBON**

**Article 20º** The Program of Incentives for Environmental Services - Carbon (ISA Carbono Program) is hereby created, and will be tied to the reduction of greenhouse gas emissions from land clearance and degradation, to the carbon flow, to sustainable forest management and the conservation, maintenance and increase of forest carbon stocks (REDD+).

**Article 21º** The ISA Carbono Program shall comply with the following specific principles, in addition to those established in article 2 of this law:

- I. execution of a constant monitoring of the forest cover, with measurement of the reduction – as compared to established baseline - of carbon dioxide emissions deriving from land clearing and forest degradation, as well as verification

- and reporting of such emissions to the competent national and international authorities;
- II. maintenance and increase of carbon stocks by means of forest conservation, management and restoration; and
  - III. permanence of emission reductions and/or maintenance of the carbon stock, as defined by the program regulation.

## **Section I**

### Objectives of the ISA Carbono Program

**Article 22º** The overall objective of the ISA Carbono Program is to promote the progressive, consistent and long-term reduction of greenhouse gas emissions, with a view to attain the State's voluntary goal of reduction of emissions from land clearing and forest degradation.

**Paragraph 1.** The voluntary goal, associated to the baseline, shall be defined by Decree, in consonance with PPCD/AC and with the emission reduction goal contained in Federal Law no. 12.187 of 2009, after first hearing the Scientific Committee and the Group of Councils.

**Paragraph 2.** The criteria for the consolidation of the baseline shall utilize the best scientific knowledge and best forecasting techniques available, and shall also observe the provisions of the United Nations Framework Convention on Climate Changes, thus expressly conferring the right to the certified issuance of carbon emission reductions, under this law and other rules in force.

**Article 23º** The following are specific objectives of the ISA Carbono Program:

- I. to create and implement economic-financial and management instruments that contribute to environmental conservation, to the reduction of greenhouse gas emissions from land clearing and forest degradation, to sustainable forest management and to conservation, maintenance and increase of forest carbon stocks;
- II. to establish the infrastructure and instruments to measure, analyze and report the reduction of carbon dioxide emissions from land clearing and forest degradation, as well as to increase the value placed on environmental services related to emission reduction, sustainable forest management and conservation, maintenance and increase of forest carbon stocks;
- III. to strengthen the cooperation and alignment at the international, national, sub-national and local levels, regarding subprograms, action plans and projects associated with the ISA Carbono Program;
- IV. to promote the sharing of benefits among players that contribute to the reduction of land clearing and forest degradation, and that conserve, preserve and recover forest assets;
- V. to promote the institutionalization of a state REDD+ system based on nationally and internationally recognized concepts, and that will ensure the capacity of measurement, quantification and verification, with registration and transparency – MQVRT, as well as the monitoring of reductions of carbon emissions from land clearing and forest degradation, doing it with credibility and traceability; and
- VI. to promote a new model of sustainable local and regional development with a low carbon intensity.

## Section II

### Bookkeeping and commitment periods of the ISA Carbono Program

**Article 24º** The preliminary period and the commitment periods of the state goal of reduction of emissions from land clearing and forest degradation, in the scope of the ISA Carbono Program, shall be established in the regulation of this law.

**Article 25º** With the objective of assuring the bookkeeping stability of the system, the Regulation, Control and Registration Institute shall define, for purposes of prior registration of action plans and special projects, a limit-percentage of carbon units that may be registered, adopting as reference the total reductions provided for in the PPCD/AC for a certain commitment period.

**Paragraph 1.** The units that are not eligible for prior registration due to the application of the provisions contained in the heading may be used, under terms to be defined by regulation, in subsequent periods or for the fulfillment of emission reduction programs or goals resulting from national policies and international commitments to fight climate changes and foster environmental services.

**Paragraph 2.** The criteria and limits for allocating the registrable carbon units among the subprograms and special projects shall be established by regulation.

**Article 26º** The information contained in state forest carbon registrations made with the Regulation, Control and Registration Institute shall be public in nature, and may be forwarded to competent national and international institutions for purposes of the bookkeeping of the reduction of emissions from land clearing and forest degradation in the scope of national policies and international agreements on climate changes and environmental services.

## Section III

### Registration of preliminary credits

**Article 27º** Emission reductions obtained during the preliminary period of the ISA Carbono Program may be registered for purposes of alienation or of meeting the goals defined by the program, provided that they are duly certified after being checked by methodologies that assure the measurement, quantification, verification, traceability and transparency criteria under this law.

## Section IV

### Independent and periodic assessment

**Article 28º** The Regulation, Control and Registration Institute shall periodically hire independent external auditors to assess the impacts of the program and its instruments according to the reference term to be discussed with the State Commission for Validation and Monitoring.

## CHAPTER III

### SOCIO-BIODIVERSITY CONSERVATION PROGRAM

**Article 29º** A law shall establish the rules of operation and organization of the state program for socio-biodiversity conservation, to be understood as a set of conditions, laws, influences and physical, chemical and biological interactions between ecosystems and their components, and between them and human populations through culture, allowing and governing life in all its forms, and protecting species, natural and artificial habitats and genetic resources, plus the improvement of quality;

## **CHAPTER IV**

### **PROGRAM FOR CONSERVATION OF WATERS AND WATER RESOURCES**

**Article 30º** A law shall establish the rules for operation and organization of the state program for conservation of water resources, to be understood as the maintenance of water quality by regulating the flow of the waters, controlling the sediment deposition, conserving the aquatic species and habitats and the amount of nutrients, as well as the deposition of chemicals and salinity;

## **CHAPTER V**

### **PROGRAM FOR CONSERVATION OF THE NATURAL SCENIC BEAUTY**

**Article 31º** A law shall establish the rules for operation and organization of the state program for increasing the value placed on the conservation of the natural scenic beauty, to be understood as that one with aesthetic, environmental and cultural value of a given natural landscape.

## **CHAPTER VI**

### **CLIMATE REGULATION PROGRAM**

**Article 32º** A law shall establish the rules for operation and organization of the state program for climate regulation, to be understood as the benefits to society resulting from the management and conservation of natural ecosystems, that contribute to the climatic balance and thermal comfort.

## **CHAPTER VII**

### **PROGRAM FOR INCREASING THE VALUE PLACED ON THE TRADITIONAL ECOSYSTEM KNOWLEDGE**

**Article 33º** A law shall establish the rules for operation and organization of the state program for increasing the value placed on the traditional ecosystem knowledge, to be understood as the increase in the value attributed to the knowledge of management and use of natural resources and of ecotourism activities, resulting from cultures tied to indigenous communities, traditional and extractivist communities or rural producers, associated to the preservation, maintenance, recovery or conservation of natural resources, with the due respect to their form of organization, recreation, aesthetic and spiritual expression, as well as their information and individual or collective practices.

## **CHAPTER VIII**

### **PROGRAM FOR SOIL CONSERVATION AND IMPROVEMENT**

**Article 34º** A law shall establish the rules for operation and organization of the state program for soil conservation and improvement, to be understood as the maintenance, in the areas where the soils are still intact, of their attributes; and, in soils in a degradation process or degraded, the recovery and improvement of their attributes, with environmental and economic gains.

## **CHAPTER IX**

### **STATE INVENTORIES**

**Article 35º** For the achievement of the objectives of this law, SEMA or a deputy body shall conduct organized surveys and keep records of ecosystem services and products,

listing them in an inventory through physical or electronic reports specific for each program, according to nationally and internationally recognized methodologies.

## **CHAPTER X FINAL PROVISIONS**

**Article 36º** Except as otherwise provided by law, the management, control and registration instruments, execution instruments, planning instruments, economic and financial instruments, tax instruments and tax incentives contained in this law shall apply to all programs tied to SISA.

**Article 37º** The criteria and values of public prices, fees and tariffs for services provided by institutions tied to SISA, especially for prior registration, registration and certified reductions of carbon dioxide emissions, shall be established by regulation.

**Article 38º** The State of Acre may:

- I. develop special programs for training human resources in topics related to the management of programs, of ecosystem services and products tied to SISA, as well to encourage the research and development of the sector; and
- II develop cooperation agreements with bodies of the federal government and/or state governments and international public and private entities for implementing the actions specified in this law.

**Article 39º** The State is hereby authorized, by itself or through its indirect administration, to alienate credits deriving from environmental services and ecosystem products tied to ownership by the State, provided that they are duly recognized or certified, such as:

- I avoided carbon emissions in natural forests and reforestation of degraded areas or areas converted for alternative use of the soil, tied to subprograms, action plans and projects of the ISA Carbono Program, under the legislation in force;
- II reduction of greenhouse gas emissions in the scope of the United Nations Framework Convention on Climate Changes; and
- III other market mechanisms and regimes for trading credits or other assets based on environmental services and ecosystem products, including the markets of reduction of greenhouse gas emissions.

**Paragraph 1** The credits mentioned in the heading may be alienated in Stock Exchanges, Mercantile and Futures Exchanges and entities managing organized OTC markets, authorized to operate by CMV (Brazilian Securities and Exchange Commission) in the Brazilian Market for Reduction Emissions (MBRE) or in other national or international markets that respect the national and international legislation in force.

**Paragraph 2** The State may, via its direct or indirect administration, by means of a specific contractual instrument, provide services to public or private sectors for the commercialization of assets and credits deriving from environmental services and ecosystem products belonging to third parties.

**Article 40º** Until the actual implementation of the Regulation, Control and Registration Institute and the Agency for Development of Environmental Services, the State Secretariat of Environment (SEMA) shall assume the duties assigned to them in this law.

**Article 41º** SEMA may issue a procedural rule aiming to the true compliance with this law.

**Article 42º** The Executive Branch shall regulate this law by decree, also regarding the competences, structures and operation of the institutions mentioned therein.

**Article 43º** The Executive Branch is hereby authorized to open a special additional credit line in the amount of one hundred thousand Brazilian reais (R\$ 100,000.00), as classified below:

720.000.00.000.0000.0000.0000 – STATE SECRETARIAT FOR THE ENVIRONMENT  
– SEMA  
720.215.00.000.0000.0000.0000 – REGULATION, CONTROL AND REGISTRATION  
INSTITUTE  
720.215.18.000.0000.0000.0000 – ENVIRONMENTAL MANAGEMENT  
720.215.18.541.0000.0000.0000 – ENVIRONMENTAL PRESERVATION AND  
CONSERVATION  
720.215.18.541.2051.0000.0000 – ENVIRONMENT PROTECTION  
720.215.18.541.2051.2566.0000 – MAINTENANCE OF THE REGULATION, CONTROL  
AND REGISTRATION INSTITUTE  
3.0.00.00.00 – CURRENT EXPENSES  
3.3.00.00.00 – OTHER CURRENT EXPENSES  
3.3.90.00.00 – Direct Applications  
3.3.90.30.00 – Consumable Goods – PR (100)  
3.3.90.39.00 – Other Third Party Services – Legal Entity – PR (100)  
730.000.00.000.0000.0000.0000 – STATE FOREST SECRETARIAT – SEF  
730.512.00.000.0000.0000.0000 – AGENCY FOR DEVELOPMENT OF  
ENVIRONMENTAL SERVICES OF THE STATE OF ACRE  
730.512.18.000.0000.0000.0000 – ENVIRONMENTAL MANAGEMENT  
730.512.18.541.0000.0000.0000 – ENVIRONMENTAL PRESERVATION AND  
CONSERVATION  
730.512.18.541.2049.0000.0000 – MANAGEMENT OF ENVIRONMENTAL POLICY  
730.512.18.541.2049.2567.0000 – MAINTENANCE OF THE AGENCY FOR  
DEVELOPMENT OF ENVIRONMENTAL SERVICES OF THE STATE OF ACRE  
3.0.00.00.00 – CURRENT EXPENSES  
3.3.00.00.00 – OTHER CURRENT EXPENSES  
3.3.90.00.00 – Direct Applications  
3.3.90.30.00 – Consumable Goods – PR (100)  
3.3.90.39.00 – Other Third Party Services – Legal Entity – PR  
(100)

**Article 44º** The resources required to execute the special additional credit shall derive from the cancellation of a budgetary appropriation established in the budget itself, according to the provisions of indent III of paragraph 1 of article 43 of Federal Law no. 4.320, of March 17, 1964, as follows:

713 – STATE PLANNING SECRETARIAT – SEPLAN  
713009 – CONTINGENCY RESERVE  
713009.99.999.9999.9999.0000 – Contingency Reserve.....  
9.9.99.99.99 – CONTINGENCY RESERVE  
9.9.99.99.99 – CONTINGENCY RESERVE  
9.9.99.99.99 – Contingency Reserve  
9.9.99.99.99 – Contingency Reserve – PR (100).....

**Article 45º** Article 9 of Law no. 1.022, of January 21, 1992, shall hereafter be effective with the addition of the following indent XVIII:

**“Article 9 ...**

...

XVIII – one representative of the indigenous communities of the State of Acre, as established by Decree.” (NR)

**Article 46º** This Law shall become effective on the date of its publication.

City of Rio Branco, State of Acre, on November 11, 2010, the 122nd year of the Republic, 108th of the Petrópolis Treaty and 49th of the State of Acre.

**Arnóbio Marques de Almeida Júnio**  
Governor of the State of Acre

