

International Panel Discussion on REDD

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Context and Lessons Learned

- Do trees grow on money?
- Previous forest investments have bad track record – what's different now?
- Poverty, conflict and abuses of human rights
- Help or hinder ongoing processes
 - Lacey Act and FLEGT



Baselines

- Creation of new carbon assets require measurable and verifiable reduction over agreed reference scenario
- Reliability of predictive scenarios vis-à-vis complex causality of deforestation
 - Infrastructure development
 - Commodity prices (subject to volatility and speculation)
- Additionality and the CDM
- Reference scenarios are *a priori* highly political



Leakage and underlying causes

- Exogenous factors, over which tropical forest countries have little control
 - le.) commodity prices, surging demand
- Endogenous factors, over which tropical countries have some predictable influence
 - le.) subsidies, infrastructure
- Governance, enforcement, land-tenure



Governance

- Weak institutions
- Unclear and/or inequitable tenure regimes
- Poor forest law enforcement
- Corruption
- Lack of transparency



Demand Side + Governance

- Surging demand coupled with weak governance results in pervasive illegal logging
- Lost revenues from trade in illegally harvested timber are in the range of US\$11 billion a year

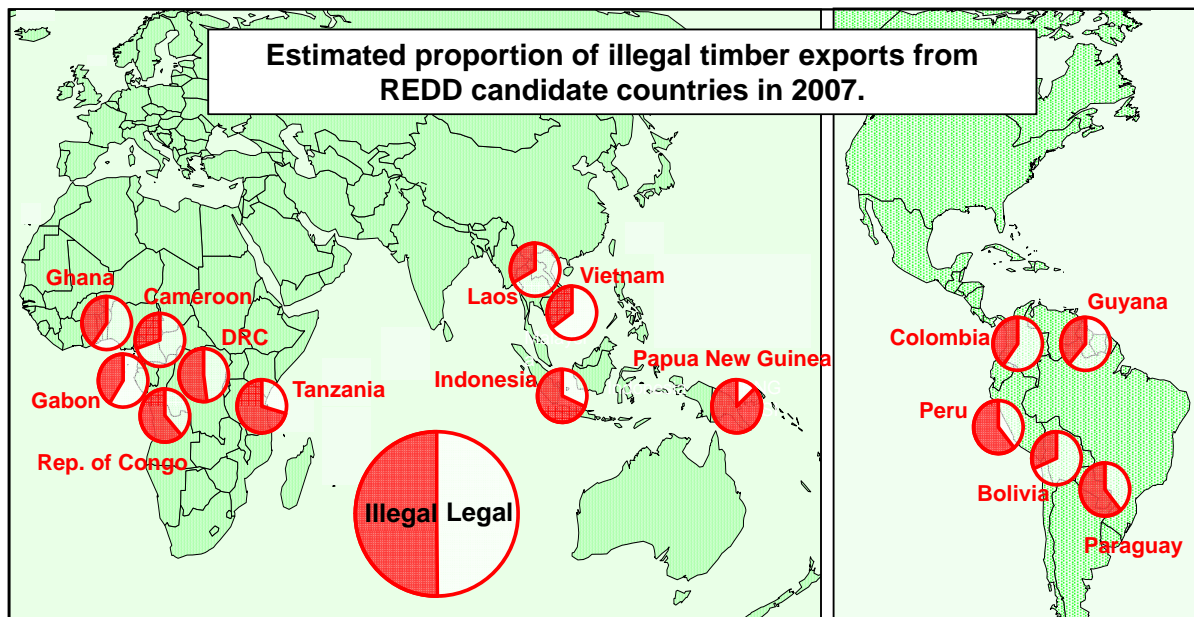


TABLE 1: DEFORESTATION AND ILLEGAL LOGGING RATES IN KEY TROPICAL COUNTRIES

Tropical Forest Countries with High Estimated Rates of Deforestation Emissions	% of Global Deforestation Emissions*	Receiving FCPF Funds?	Illegal Logging in Natural Forests Estimates	
			Over 50%	20-50%**
BRAZIL	25%		•	•
INDONESIA	23%		•	
NIGERIA	6%	•	•	
CONGO DR	4%	•	•	
BURMA	3%		•	
ZAMBIA	3%		•	
CAMEROON	3%	•	•	
PHILIPPINES	2%		•	•
VENEZUELA	2%		D.N.A.	
BOLIVIA	2%	•	•	
GHANA	2%	•	•	
TANZANIA	2%		•	
ECUADOR	2%		•	
PAPUA NEW GUINEA	2%	•	•	•
HONDURAS	2%		•	•
VIETNAM	<2%	•		•
PERU	<2%	•	•	•
MEXICO	<2%	•		•
GABON	<2%	•	•	
NICARAGUA	<2%	•	•	

* Source = Nicholas Institute 2008 (courtesy of NRDC)

** Both columns marked where differing estimates exist. Data compiled from various sources available upon request.



Source: based on estimates from <http://www.globaltimber.org.uk/IllegalTimberPercentages.doc> except Colombia (World Bank estimate).

Benefit Distribution and Transaction Costs

- Increasing recognition of need to engage indigenous peoples and local communities to ensure effectiveness, sustainability and permanence.
- Pirard (2008): “The absence of recognised property rights in the case of a market-based mechanism that encourages the maximization of profits, then leads to an important risk of inequitable redistribution of wealth through a clear disassociation between the implementation costs and the opportunity costs of deforestation reduction.”

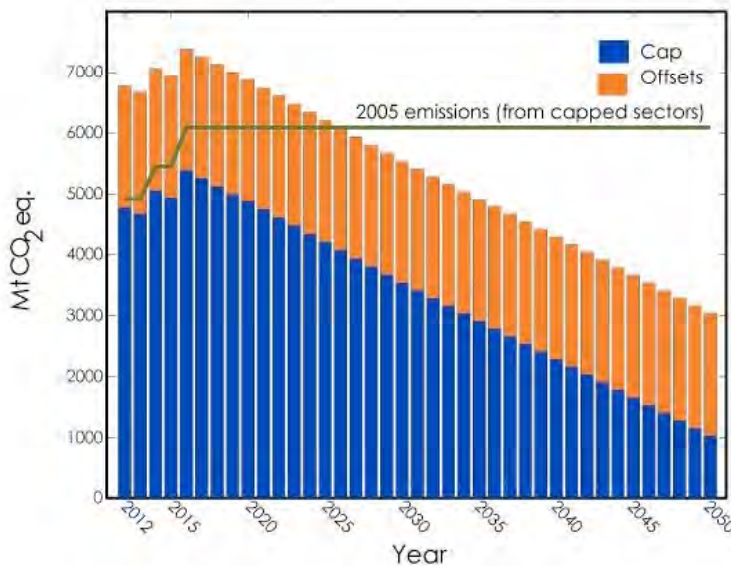


Risk Management and Liability

- **Questionable emissions reductions lead to subprime carbon assets.**
- **Difficulty in determining asset valuation:** “Innovative” financial engineering characterized the credit crisis, where complex financial instruments were created that made it very difficult to determine the actual value of assets.
- **Need to adequately regulate new financial markets & limit riskiest offsets**



American Clean Energy and Security Act of 2009



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- Supplementary Emissions Reductions fund
 - Financed by 5% of allowances
 - Leakage prevention and market readiness
 - 720 million tons in 2020; 6 billion tons cumulative by 2025
- Offsets –
 - Up to 1 billion tons/yr (may increase to 1.5 billion tons)
 - Technical capacity to MRV carbon
 - Institutional capacity to ensure good governance
 - Baselines with land use plan and target to ensure zero net deforestation in twenty years



California Governors Forests and Climate Initiative

- Nine states from Brazil, Indonesia and the United States (representing over 50% of the world's tropical forests) signed MOU to cooperate on forest and climate change.
- Develop world's first "proof of concept" for bringing compliance grade REDD projects into existing or planned compliance regimes.
- Assess forest carbon project criteria and standards to use in compliance regimes.



Recommendations

- Coherent demand side policies
- Governance and rights performance are key in design and implementation
 - law reform & enforcement
 - land tenure clarification
- MRV more than carbon
- Robust compliance and complaints mechanisms, accessible by indigenous peoples and local communities
- Recognize and incentivize broad suite of policy approaches and positive incentives
- Financing mechanism - maximize profit or identify actions with long-term benefit

