REDD+ WOOD, NOT DEAD WOOD

The Cancun conference in December advanced a step towards the establishment of a financing mechanism for forestry. Siobhan Wagner examines the proposals made, and the issues that still need to be addressed before protection of trees becomes a significant new sector for investors.

The world's forests hold some 289 gigatonnes of carbon dioxide – more than all the CO2 in the atmosphere – according to the Food and Agriculture Organization of the United Nations. The act of chopping those trees down, or deforestation, is responsible for as much as 20% of annual greenhouse gas emissions.

It is no wonder that many view reducing emissions from deforestation and forest degradation, or REDD as it is known, as essential to the battle against climate change. The significance of such mitigation measures was reinforced by the inclusion of preliminary guidelines for REDD+ activities in official text at the United Nations climate change conference in Cancun, Mexico in December.

Collaborative efforts for halting the destruction and degradation of forests have run on a voluntary basis for decades. In September 2008 the UN launched its UN-REDD programme to help countries prepare and implement national strategies for forest protection.

On a basic level, REDD strategies create a financial value for the carbon stored in trees. Once this is quantified, developing countries can sell carbon offsets for their standing forests.

As many of the developers of REDD initiatives will note, the fight to save the world's forests is not as simple as erecting large fences. The conservation of trees is a prickly business made complicated by the fact that many of the endangered forests are spread over vast geographical areas in some of the most remote areas of the planet. These areas cannot be easily accessed by land and the health and preservation of these forests can only be monitored using high-tech satellite, remote-sensing technology.

The most challenging aspects of REDD projects, however, have less to do with actual trees. Firstly, project developers must discover why deforestation is happening in the first place, says Leo Peskett, a research fellow in climate change mitigation and development at the Overseas Development Institute, a UK think tank.

"In Brazil it might be agricultural expansion for growing soy or sugar cane," he says. "In some countries it might be local communities who need to grow their own crops or raise grazing animals or collect fuel wood driving degradation of forests. It may also be due to illegal logging."

Any initiative to reduce deforestation firstly has to establish why it is happening. In this case, the trees have been felled to make charcoal.

Source: Wikimedia Commons

Once the cause is established, developers can make an action plan to stop it. A farmer, for example, could be paid the wage he would have received had the forest land been otherwise used for agricultural purposes. In the case of illegal logging, REDD funds could be directed towards law enforcement to pay for rangers in forest reserves. The developers could then seek to establish organisations and legislative bodies within local communities to manage forests.

What makes this especially tricky in many parts of the world, however, is establishing whose forest you are actually working with.

According to Peskett, some of the hottest spots for deforestation at the moment are in Brazil, Guyana, Costa Rica, Cameroon, the Democratic Republic of Congo, Indonesia and Papua New Guinea.

Many of these countries are plagued by debates over land rights. One must decipher whether the forest belongs more to the state or local tribal communities, and if the latter, which local tribe has the best claim?

This is a problem in Indonesia where forest land covers 70% of its land area and deforestation makes up 80% of its greenhouse gas emissions, according to the Norwegian government, which is the UN-REDD Programme's largest donor.

In May 2010, Norway announced it would provide $1bn worth of funds to Indonesia for a forest preservation pilot project in a province of Borneo, an area where, not unlike the rest of the country, communities have clashed with timber companies on the establishment of logging and plantations on their traditional lands. There will be few surprised if REDD schemes face similar opposition.

As it happened, Indonesia reportedly missed the 1 January 2011 targeted start of a two-year moratorium on forest-clearing, one of the key stipulations in Norway's letter of intent.

The ambiguity over who owns a forest means it is much harder to decide who should be in charge of protecting it, and more controversially, who should profit from carbon offset credits generated.

"In many countries land tenure laws are weak so that there is little incentive for

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local populations to protect assets including forest cover, and potential conflicts can arise in terms of ownership of rights to carbon," says Tim Pearson, programme officer for ecosystem services at Winrock International, a Virginia-based developer of forest carbon projects.

These sorts of peculiarities of REDD initiatives make the estimated costs of forest protection programmes, which are already variable, even less reliable.

On the low end of the scale, the International Union for Conservation of Nature estimated in December 2009 that REDD schemes could cost investors between $2 and $10 per tonne of CO2 avoided.

In theory, Peskett says this would be the case if the forest area were to be otherwise used by a small holder farmer in a developing country. The highest costs for REDD occur when forest conservation competes with palm oil, like in Indonesia. "If the forest area had been converted to oil palm in Indonesia, which works out to $3,500 per hectare, you would need a carbon price of hundreds of hundreds of dollars," he says.

Ideally there should be a better method for evaluating the worth of a forest, says Alice Chapple, director of sustainable financial markets for Forum for the Future.

"In, say, the Congo at the moment there is much less pressure on the forest so arguably the cost of abatement should be lower in those places because the opportunity cost is much lower," she says, "but how is that fair?"

At present, the majority of REDD initiatives are financed with international public funds through official development assistance. Other funding is provided by bilateral and multilateral sources. The private sector has also financed projects, although to much less degree, through complex alliances between large international NGOs and major corporations with incentives to fulfil corporate social responsibility goals or boost their eco-image.

For example, Bettys and Taylors of Harrogate, the maker of Yorkshire Tea, would be pleased to hear that customers noticed their support for a forest protection programme in Peru advertised on the back of the box of its product, notes Dominick Spracklen, a scientific advisor to the United Bank of Carbon, a charity brokering partnerships for rainforest protection projects.

TABLE 1: REDD BY COUNTRY, PROJECTS IN PRE-SUBMISSION, VALIDATION AND OPERATION

Country	No of Projects
Indonesia	26
Peru	8
Brazil	5
Madagascar	4
Australia	2
Mexico	2
Mozambique	2
Paraguay	2
United States	2
Others	15
Total	68

Source: Bloomberg New Energy Finance

The REDD+ text drafted at the UN climate talks in Cancun in December last year deliberately left out mention of financing mechanisms. This was to appease the Bolivian delegation, which has strongly opposed market mechanisms for forest protection. Questions remain on the role the carbon markets and the private sector could play in providing this funding. There could be some reference to these points by the time of the next UNFCCC conference in Durban, South Africa, at the end of the year, but nobody is holding their breath.

Christian Del Valle, director of environmental markets at BNP Paribas, says the future success of REDD+ initiatives relies heavily on policymakers creating a mechanism that provides an explicit price signal for intact forests, thus providing a clear incentive for their preservation.

"For REDD+ itself to be effective, there must be an engine for that price signal, in other words, there must be sufficient demand for forest carbon assets, or REDD+ credits," he says.

In the interim, Del Valle says this demand can be created by public support initiatives like fast-start financing to developing countries, but ultimately it will need to come from the private sector, and it will need to be integrated into the formal economy "if we are to come anywhere close to meeting the estimated funding requirements to halve deforestation by 2020".

Yet as Peskett, from the Overseas Development Institute, adds, the future of all carbon offsetting schemes including REDD+ will be in peril if nations' climate negotiators continue to fail to decide on a future replacement or extension of the Kyoto Protocol.

"To have a successful REDD market mechanism ideally we need a strong global cap on emissions because that drives demand," he said. "The REDD agreement itself is very much in progress, but it relies a lot on progress in other areas." ■

TWO REDD PROJECTS

1. Alto Mayo REDD+ Initiative

Northern Peru

Project Start: 2007

Hectares: 177,749

Market: Voluntary Over-the-Counter

Description: The Alto Mayo Protected Forest, which contains habitat for many unique species, has been threatened by Illegal land-clearing. Over the past three years, Conservation International (CI) has initiated the design and implementation of REDD+ activities and secured support from the Walt Disney Company for long-term compensation of the REDD+ initiative. Disney announced in 2009 it had signed an agreement with CI to provide an initial contribution of $4m for development of large-scale REDD demonstration activities in Peru and the Democratic Republic of the Congo.

Source: Conservation International

2. Holistic Conservation Programme for Forests in Madagascar

Malagasy forest, Madagascar

Project Start: 2008

Hectares: 515,000

Market: Voluntary Over-the-Counter

Description: Air France announced in 2008 it had agreed to invest €5m ($6.7M) over a four-year period in this project to combat deforestation in Madagascar. The airline has partnered with the GoodPlanet Foundation, an NGO, and work is being carried out on a local level by the World Wildlife Fund. The project also includes partners such as the Carnegie Institution for Science to advance existing knowledge on LiDAR technology and CLASlite software for monitoring deforestation and small disturbances.

Source: Air France and Forest Carbon Portal