

Forest Carbon Alliance

Mobilizing Forest Carbon Trading
to Achieve the
Millennium Development Goals

Swiss Re - The Katoomba Group

“Beyond Carbon” Conference

October 30, 2003





Sinks are Essential for Climate Change Mitigation & Adaptation

- ◆ Land use, land use change account for 20%+ of total carbon emissions globally (IPCC)
- ◆ In low-income countries, land use & land use change account for most carbon emissions:
 - Indonesia – 75%
 - Cameroon – 80%
- ◆ CDM one of many instruments needed to reverse these trends



Carbon Sinks Can Contribute to Millennium Goals

- 1) Eradicate extreme poverty & hunger
 - Halve the % of people living on under \$1/day
 - Halve the % of people suffering from hunger
- 7) Ensure environmental sustainability
 - Integrate principles of sustainable development into country policies & programs;
 - Reduce the loss of biodiversity
- 8) Develop a global partnership for development
 - Good governance, development & poverty reduction, nationally and internationally



Potential Contribution of Forest Carbon Projects to MDG's

- ◆ Cash income for consumption or investment
- ◆ Improve agricultural & forestry technologies
- ◆ Conserve wild plants/animals critical for local consumption or farm inputs
- ◆ Rehabilitate critical ecosystem services
- ◆ Resources for community social investment
- ◆ Mechanism to create partnerships



Potential Threats of Forest Carbon Projects to MDGs

- ◆ Loss of rights to use land, harvest products or environmental services
- ◆ Loss of land ownership rights
- ◆ Loss of employment
- ◆ Loss of control and flexibility over local development options and directions

BUT, transparency rules, investor preference and government priority for MDGs can address these



Background & Context to Campaign

- ◆ Forest carbon opportunities and risks are poorly understood by delegates
- ◆ Local livelihood and biodiversity issues for CDM forest carbon trading are marginalized in the debate
- ◆ CDM goals are weakly linked with Millennium Development Goals, Monterrey, CBD, CCD
- ◆ Rural development community is not involved in forest carbon dialogue
- ◆ There is movement towards political consensus, but too slow and with narrow engagement

Real World (1)

- ◆ Sinks are *not* “cheating”
 - Carbon sequestration is a real climate benefit
 - Payments are only for carbon actually sequestered (so scale, sequestration rates, etc. don't really matter)
- ◆ Sinks *can* provide long-term benefits
 - It's project benefits (not specific trees)
 - Reversing degradation creates long term benefits

Real World (2)

- ◆ Controlling the *type* of forest carbon project will not ensure ‘good’ projects
 - It’s site-specific project design that counts
- ◆ Sinks credits are *not* likely to swamp the carbon market
 - Project costs are higher than earlier believed
 - Already a cap of 20% of emissions reductions
 - Enabling conditions often not present

Real World (3)

- ◆ Production costs of MDG-type projects competitive
 - Large-scale plantations on land with low opportunity costs - \$5/tC
 - Agroforestry – \$8-70/tC (most \$10-16/tC)
 - Ecosystem restoration – highly variable
- ◆ Transaction costs may be higher:
 - Marketing, negotiations, contracts, legal costs, insurance
 - Measurement, auditing, certifying
 - Organizing project participants, capacity-building

The Real World (4)

- ◆ Thus, CDM payments are not large enough to pursue projects *without* co-benefits:
 - CDM payments alone will NOT be sufficient to finance AF/RF projects (co-benefits essential)
 - Community-based projects will be cost-effective ONLY if built on established community institutions, with well-organized intermediaries
- ◆ Biggest LULUCF impacts on mitigation will come from *outside* CDM, but CDM can be a catalyst



Principles for CDM

- 1) Make sure MDG-compatible projects are eligible and dominate the CDM portfolio
- 2) Make sure such projects can be financially viable and attractive to investors
- 3) Make sure that local communities can be effective actors in carbon trading



Rules on Project Type



- No limits on project type or tree species (each project needs to prove it makes sense for the site);
- Support strict carbon integrity;
- Seek to integrate mitigation and adaptation



Rules on Sustainable Development

- ◆ CDM Eligibility & Certification:
 - Projected/estimated actual livelihood and biodiversity impacts in relation to MDG (national standards)
 - Community participation in project design and implementation
 - Transparent information, opportunity for comment
- ◆ Encourage 3rd party “blue chip” certification on + social and environmental impacts



Rules for Financial Viability

- Reasonable transaction costs
 - Additionality, baselines, performance
- Workable crediting systems to ensure permanence
 - No to financial insurance; alternatives or revised TCER
- Re-assess idea of “small-scale” projects
 - Assume *most* projects will be community-based
 - Provide incentives/mechanisms for bundling
 - Encourage projects with large areas and participants



Campaign Strategy

- 1) Re-frame the dialogue on CDM (and all carbon trading) to embrace sinks for the MDGs
- 2) Inform and engage rural development leaders in policy dialogues
- 3) Inform UNFCCC negotiators of the implications of proposed CDM rules and the MDG's

WE WELCOME YOU TO JOIN US...