

Forests and climate change after Copenhagen

An Asia-Pacific perspective

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Introduction

The 15th Conference of Parties (COP15) of the United Nations Framework Convention on Climate Change was held 7-18 December 2009, in Copenhagen, Denmark. The spotlight fell on forests, forestry and REDD+ and although no legally binding agreement was reached, some significant outcomes were achieved. Following Copenhagen, forestry stakeholders in the Asia-Pacific have raised many questions about the meaning of COP 15 for people, forests, and forestry.

In this context, the Food and Agriculture Organization of the United Nations, in collaboration with RECOFTC – The Center for People and Forests, convened a meeting on 3 February 2010, in Bali, Indonesia. The meeting had two aims:

1. To discuss and answer questions that forest stakeholders have been asking following the COP15 negotiations.
2. To debate the key issues that foresters and forestry institutions will face in developing climate change policies and strategies.

Twelve regional and international experts attended, along with 29 observers affiliated with the Responsible Asia Forestry and Trade Program's REDD Learning Network.¹ This report presents the experts' answers to a dozen key questions.

¹ The REDD Learning Network encompasses eight countries in the Asia-Pacific region, and aims to share knowledge and experiences between key policy makers and influencers. RECOFTC and The Nature Conservancy implement this initiative.

A dozen key questions



Q1 Was progress on REDD set back because of the failure at COP15 to reach an overall binding agreement on emission reductions?

Q2 REDD is now REDD+. What does this mean?

Q3 What may be traded under REDD+ and what is the most appropriate funding mechanism?

Q4 Without a binding agreement at COP15, how important is the voluntary market for REDD+?

Q5 Can REDD+ ever be 'win-win' and how will it affect the use of and trade in forest products?

Q6 What is needed to ensure local stakeholders are informed and engaged in national REDD+ processes and voluntary carbon schemes?



Q7 Why would REDD+ trigger fundamental forest governance reform when so many previous efforts have failed?

Q8 How can we ensure 'carbon cowboys' don't undermine our efforts?

Q9 Under what conditions might it be financially beneficial for countries to develop a REDD+ program?

Q10 When will REDD+ be operational and meanwhile what will be the impacts of REDD+ readiness?

Q11 Are there likely to be any changes to how forest owners and small-scale tree plantation growers can benefit from carbon markets?

Q12 What practical actions can forest stakeholders take to move REDD+ ahead in the immediate future?

Q1

Was progress on REDD set back because of the failure at COP15 to reach an overall binding agreement on emission reductions?

Progress on REDD was not stalled by the overall lack of a binding agreement on emission reductions; to the contrary, important progress was made. While an overall agreement would have significantly boosted REDD negotiations, they are still more advanced than those on most other issues being discussed under the UNFCCC framework. More importantly, the REDD+ text arising from COP15 provides a firm basis to move forward. Despite this progress, many issues concerning design and implementation remain unresolved and will require more detailed discussion, before and after the next formal meetings of negotiators.

Whilst global negotiations continue, there is considerable momentum to support work towards REDD 'readiness.' Further details on technical guidance will emerge over the coming months, though there is a general consensus that REDD+ will be implemented in phases. Progress made by UN-REDD, bilateral initiatives, government-supported pilots, and the engagement of civil society means that the Asia-Pacific region is further ahead with Phase 1 activities than are other regions.



REDD+ phased approach

Phase 1: National REDD strategy development, including national dialogue, institutional strengthening, and demonstration activities.

Phase 2: Implementation of policies and measures (PAMs) proposed in those national REDD Strategies.

Phase 3: Payment for performance on the basis of quantified forest emissions and removals against agreed reference levels.

COP15 should not be considered a failure from a forestry perspective. The Copenhagen Accord provides a platform for countries with different priorities to discuss and move ahead with negotiations, particularly in the forestry sector. There is cautious optimism that COP15 has laid the foundation for more meaningful outcomes in future COP meetings.

The Copenhagen Accord

The Copenhagen Accord is a statement of principles and politically-binding (but not legally-binding) commitments. The Parties to COP15 'took note' of the Accord, but did not officially 'adopt' it. Parties were invited to 'associate' themselves with the Accord by specifying the commitments and policy measures they intend to make.

Under the Accord, Annex 1 countries are expected to make 'economy-wide emissions targets' for 2020 while non-Annex 1 countries would list 'mitigation actions.' By making such commitments, countries in effect set themselves voluntary targets.

By mid-March 2010, 73 countries had associated themselves with the Accord.

"It's better to have no firm numbers than a flawed agreement."

Melany Tedja

"I am cautiously happy with the outcome of COP15."

Dr. Xiaoping Wang

"I am cautious about being happy with COP15...the objectives set going in to Copenhagen were unrealistic."

David Rhodes

"The Copenhagen Accord provides the necessary platform for the essential dialogue required for further progress."

Jenny Wong

"REDD negotiations are much more advanced than those on other issues."

Dr. Pham Manh Cuong

Q2

REDD is now REDD+. What does this mean?

The five elements of REDD+ were already set out in the 2007 Bali Action Plan. At that time, the three 'plus' elements – conservation, sustainable management of forests and enhancement of forest carbon stocks – were considered supplementary to the core business of reducing emissions from deforestation and forest degradation. However, the REDD text that emerged from COP15 included all five elements on an equal basis. Thus the term 'REDD' is inadequate to describe the issues under discussion by negotiators. It has been replaced in all key texts and discussions by 'REDD+' and this has two main implications:

- a. How the forest sector is defined (forest type, area, products, management arrangements, tenure systems etc) varies greatly among countries in the region, and sometimes even within countries. REDD+, which offers a wider range of mitigation opportunities than REDD alone, is of relevance to a greater range of countries. Most significantly, REDD+ goes further than just rewarding actions that 'do less harm' (e.g. less forest clearance and unsustainable management). It will also reward practices that 'do more good' such as those that create new, and improve existing, carbon sinks.
- b. Due to the greater range of activities under REDD+, planning and implementation becomes more complex, meaning higher transaction costs and the need for more capacity building. Likewise, establishing baselines also becomes more complex, to determine the actual contribution of REDD+ activities to climate change mitigation.

REDD+

Decision 1/CP.13 of the COP13 in Bali, otherwise known as the Bali Action Plan, defined REDD in paragraph 1(b) (iii) as follows:

"Policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries"

After a semi-colon, the paragraph continues as follows:

"and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries"

This latter clause is not part of the definition of REDD, but describes the forest-related activities in addition to REDD that should be considered under the Bali Action Plan. In shorthand, therefore, the full range of activities came to be described as REDD+.

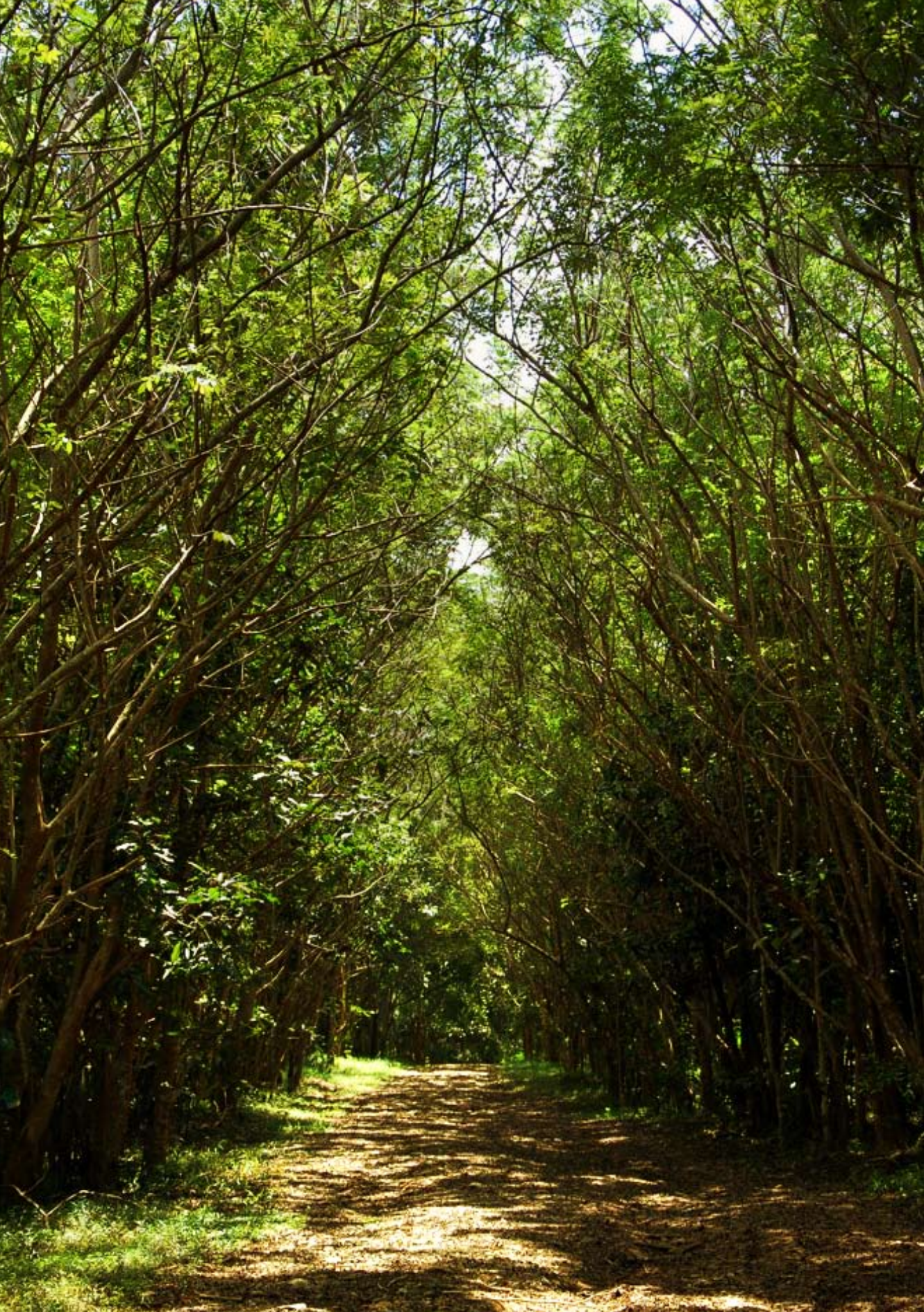
Q3

What may be traded under REDD+ and what is the most appropriate funding mechanism?

The 'commodity' of REDD+ is a 'carbon credit.' This is a measure of the *change* in carbon stocks, not a measure of carbon itself. This distinction is important to avoid misconceptions, for example that the carbon content of standing forests has an inherent value. Such misunderstandings have encouraged speculative trading in 'carbon rights.'

Broadly, there are three possible financing options for REDD+: market-based (either voluntary or compliance), fund-based, and a 'hybrid' combination of both. Currently, there is no clear agreement on the best financing option for REDD+. In the short term, it is likely that REDD+ will be financed through fund-based approaches and that over time this will shift towards a market-based system, potentially providing much greater financial resources than a solely fund-based approach could attract. Confidence in market-based mechanisms is variable, as reflected by the global financial crisis. It is likely that a hybrid approach will be adopted in the medium term followed by a move towards compliance markets as capacities are strengthened, experience is gained, and consensus emerges.





Q4

Without a binding agreement at COP15, how important is the voluntary market for REDD+?

Currently, REDD+ pilot projects can only sell carbon credits through voluntary markets, and these markets will continue to be very important for forestry-related climate change mitigation. Apart from Afforestation and Reforestation initiatives under the Clean Development Mechanism (A/R CDM), compliance markets are closed to forestry projects until the end of 2012. Agreement at Copenhagen would not have changed this.

Voluntary carbon markets provide valuable experience and lessons for countries preparing for REDD+ in terms of understanding methodological and implementation issues. The development of robust standards and independent verification systems for voluntary forest carbon projects has had a positive effect on the compliance market. A/R CDM projects increased from just 1 in January 2008 to 11 by COP15, five of which are in the Asia-Pacific region. Pilot REDD+ projects and other readiness activities have begun to demonstrate important lessons for the region. These include the need for forest tenure reforms and clarity over rights to trade in carbon credits, the need for stronger local capacity in monitoring carbon stocks, and the need for more efficient and reliable local governance systems.

Voluntary carbon markets are important to enhance the confidence of investors, including governments of industrialized countries, in the feasibility of REDD+. If successful, these markets can influence governments to adopt measures to facilitate the proper functioning of compliance markets. Conversely, if voluntary markets fail to effectively regulate trade in forest carbon credits and weed out poorly-designed projects, investor confidence in REDD+ will be seriously damaged.

“Successful voluntary forest carbon projects help to increase market confidence in REDD+.”

Melany Tedja



Q5

Can REDD+ ever be 'win-win' and how will it affect the use of and trade in forest products?

A key principle of REDD+ is that it should “Do no harm” to forest-dependent people. Indeed, for it to succeed, social co-benefits need to be maximized. To achieve this it is essential to recognize local communities and indigenous people’s rights of tenure over forest areas, and the use of forests and forest products for their livelihoods. If such rights are disputed and/or not legally recognized, it is arguably even more important that a thorough consultation process is carried out before activities under REDD+ are planned and implemented. The process of obtaining “Free, Prior, and Informed Consent” (FPIC)² has thus become a major topic in REDD+ discussions.



Securing benefits to local people is best achieved through ensuring their active participation. One practical way towards this is to recognize and develop their important role in the data collection necessary for carbon accounting and rewarding them for their essential role as stewards and managers of forest resources.

If properly designed and implemented, REDD+ will be able to deliver significant environmental co-benefits and enable forest ecosystem services to be sustained through conservation, sustainable management, and forest restoration. It will slow biodiversity loss through the retention and expansion of important habitats. Ultimately, it is important to have a set of robust environmental and social safeguards as part of the overall design to maximize co-benefits and minimize the negative effects of trade-offs.

Sustainable management of forests requires the balancing of various management objectives. With the generation of forest carbon credits as one explicit objective, whether through REDD+ or A/R CDM, trade-offs with other objectives are inevitable. The use of timber and non-timber forest products from areas under REDD+ will certainly be affected. However, in most cases, rather than banning the harvesting of forest products, forest managers will be increasingly required to demonstrate the sustainability of extraction

“FPIC- the key word here is ‘informed’. What information do various stakeholders need? How do you deliver it? Who will deliver it?”

Ben Vickers

² To learn about FPIC, we suggest reading the concept note: Initiative on Free, Prior, and Informed Consent prepared by The Forest Dialogue and available at www.environment.yale.edu/tfd/uploads/TFD_FPIC_Concept_note.pdf

according to internationally accepted forest management standards. Indeed, REDD+ has the potential to significantly enhance the market and supply of certified timber from sustainably managed forests in the Asia and the Pacific.

REDD+ does not exclude the use of forests for other financial benefits, including the sale of tangible products (timber and non-timber forest products) and intangible environmental services such as biodiversity and hydrological functions of watersheds. The supply of intangible benefits can be addressed in two ways; through separate Payment for Environmental Services schemes or in combination with carbon credits as single products.

Existing voluntary markets provide an incentive for source projects to demonstrate social and environmental co-benefits by potentially offering higher forest carbon credit prices. What these co-benefits are, and how they are valued, is becoming clearer and more recognized as validation and certification standards evolve. However, in compliance markets with a fixed carbon price (under a future COP agreement) there would be no price premium for projects that explicitly provide co-benefits. In this case, the most practical measure to ensure co-benefits are recognized will be to include social and environmental standards as mandatory safeguards before REDD+ activities are permitted to generate revenue through carbon credits.



Q6

What is needed to ensure local stakeholders are informed and engaged in national REDD+ processes and voluntary carbon schemes?

REDD+ is a new and complex concept. It is therefore essential to raise awareness and strengthen capacities of all forestry stakeholders well before the implementation of activities. REDD+ capacity building at various levels is already underway through multilateral, bilateral and civil society initiatives. With most of these initiatives the focus has been on technical aspects. Training has been conducted in English, and has targeted a limited number of national-level stakeholders identified as key personnel in REDD+ planning and implementation.

However, the most pressing need is to raise local stakeholder awareness to enable them to take part meaningfully in REDD+ planning and strategy development. Using suitable tools; information, education, and communication campaigns are required to provide neutral, balanced information that avoids raising unrealistic expectations. Consultations involving government and civil society stakeholders are necessary to facilitate knowledge sharing, and to build consensus on the importance of multistakeholder involvement in REDD+ processes. In doing so, the need for increased clarity and, probably, reform of forest tenure systems will be identified. Without reform there is a risk of marginalizing or excluding local people who have legitimate interests in forest areas. Such exclusion would constitute a serious threat to REDD+, potentially resulting in failure of national strategies.

“Local authorities must be actively involved in raising awareness of local people for REDD+.”

Dr. Pham Manh Cuong

“Capacity building will be a challenging task considering the variety of forestry activities and approaches covered under REDD+.”

Dr. Daniel Murdiyarmo



Q7

Why would REDD+ trigger fundamental forest governance reform when so many previous efforts have failed?

Previous forest reform initiatives did not include adequate economic incentives to bring about the fundamental changes to policies, approaches and institutions necessary for effective reform. Uniquely, REDD+ offers clear positive incentives to all levels of government and other stakeholders to encourage effective forest governance, which is essential for successful REDD+ implementation and to secure investor confidence.

“REDD+ is helping to build the consensus and trust required for politically important decisions.”

Dr. Promode Kant

Weak institutions, inconsistent laws, corruption, inadequate regulations, poor law enforcement, and a lack of transparency; these elements of poor governance threaten the success of REDD+. Investors will not engage with countries that fail to tackle these problems seriously. An *intention* to improve governance will not be sufficient. Market-based REDD+ will only be viable in countries after they fully implement necessary forest governance reforms. Furthermore, by incorporating social and environmental safeguards into a UNFCCC agreement on REDD+, suitable policies on forest tenure, use and management rights, and benefit-sharing mechanisms, will become essential before credits can be issued. REDD+ could potentially trigger forest governance reforms. Already in Vietnam, the national UN-REDD program is stimulating a fresh examination of benefit sharing and community-based forest management.³



³ Find out more at www.un-redd.org



Q8

How can we ensure 'carbon cowboys' don't undermine our efforts?

So-called 'carbon cowboys' have impeded the development and implementation of REDD+ by raising unrealistic expectations among local people and other forestry stakeholders. They have contributed to general confusion and fostered suspicion of REDD+.

Although clarifying the rights to forests and forest products (including forest-based carbon credits) is an essential precondition to transparent trade, this will not, by itself, lessen the risks of unregulated activity. Indeed, without proper support and advice from both government and independent bodies, customary owners of forest resources are especially vulnerable to carbon cowboys. Effective governance, stronger regulations, and capacity building at the grassroots will help reduce the influence of carbon cowboys. Though national governments have the primary responsibility to regulate the emerging forest carbon industry, stronger international regulations will help. Internationally-recognized standards and verification by independent, third-party auditors will also be increasingly important. Existing standards such as those developed under the Forest Stewardship Council and the Programme for the Endorsement of Forest Certification could be effective in this context.

Opportunities for collusion between unscrupulous investors and local authorities under REDD+ may make local people vulnerable to exploitation. To help mitigate this, civil society organizations can help raise awareness and strengthen the capacity of grassroots stakeholders, and legitimate carbon developers can form associations, which can be audited and certified.

The real key to minimizing carbon cowboy influence lies in *linking* improved tenure and clear rights *with* the effective forest governance that REDD+ explicitly seeks to promote.

"The more lawless you are, the less governed you are, the more attractive you are to these cowboys."

Frederick Kugan

"The development of safeguards can be built on experiences we already have with global, regional, and national standards for certification of forest management."

Ben Vickers

Q9

Under what conditions might it be financially beneficial for countries to develop a REDD+ program?

The notion that REDD+ is an inexpensive way to mitigate climate change is misleading as there are extensive costs to be incurred before REDD+ can be successfully implemented. Major costs include setting up Monitoring, Reporting, and Verification systems, conducting extensive and regular 'ground truthing,' and purchasing sophisticated remote sensing technology. Capacity building for local community and forestry institutions will also require financing.

Countries with well-established national forest inventories, monitoring systems, clear forest tenure and legislation, efficient institutions, and effective forest governance mechanisms are better-placed to develop and implement a national REDD+ program. Countries without these elements in place, usually those most in need of the benefits that REDD+ may bring, will incur higher costs in getting 'REDD ready.' If readiness costs were borne exclusively by the countries themselves, many in the Asia-Pacific would find that developing a REDD+ program was not worthwhile, especially considering the uncertain and long-term nature of economic returns. Multilateral and bilateral assistance including through UN-REDD, the Forest Carbon Partnership Facility and the Forest Investment Program, will be essential for many countries.

"Mitigation in forestry is not cheap. We need new institutional setups, mechanisms to distribute incentives and an effective strategy to address the underlying drivers of deforestation and degradation. We call it cheap because we are not yet able to calculate the full costs."

Dr. Nur Masripatin

Monitoring, reporting, and verifying

Credible and affordable monitoring systems are critical for the successful implementation of REDD. Quality data are essential so that emission reductions can be properly estimated, reported, and verified as only then will countries be eligible to receive payments for forest-based carbon sequestration. UN-REDD is taking a lead role in helping develop these systems.



Q10

When will REDD+ be operational and meanwhile what will be the impacts of REDD+ readiness?

REDD+ implementation in the region would certainly benefit from a decisive outcome of the UNFCCC negotiation process and any specific guidance the negotiators can provide along the way. However, in line with a phased approach to REDD+, Phase 1 activities (mainly fund-based) are already being implemented in many Asia-Pacific countries. These include capacity building, policy formulation and reform, setting up institutional frameworks for REDD+, and exploring benefit-distribution arrangements.

REDD+ readiness activities will facilitate change in forest tenure, governance, and policy, and increase capacities and awareness. Effective readiness will also ensure that expectations are realistic, especially among forest-dependent people, and identify potential conflicts among competing stakeholders. So it is not a matter of waiting for REDD+ to operate; in some ways this is already happening.

The UNFCCC's Ad hoc Working Group

The Ad hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) was established at the Bali COP13 in 2007. It was given two years to develop a political consensus for a legally-binding agreement at COP15 in Copenhagen. As this was not achieved, the AWG-LCA mandate has been extended until COP16 in Mexico at the end of 2010.



Q11

Are there likely to be any changes to how forest owners and small-scale tree plantation growers can benefit from carbon markets?

The negotiating text relating to 'land use, land-use change, and forestry' (LULUCF)⁴ was streamlined during COP15 and there were progressive discussions on options for accounting of carbon stocks in forests under a post-2012 framework. For example, agreement is close to being reached on the inclusion of harvested wood products in the accounting system. While accounting under such an agreement requires more transparent and consistent data and collection methodologies, forest owners would be recognized for contributing to reducing emissions, and thus add value to their products. Harvested wood product accounting will be a positive step as it promotes sustainable extraction and use of wood products.

COP15 negotiations have given more flexibility to inclusion of forest sector-related projects under the CDM. Following the negotiations, the CDM Executive Board approved two additional measures to reduce transaction costs and streamline project cycles, especially for small-scale afforestation and reforestation projects. One measure is the programmatic approach, where numerous small mitigation projects are treated as a bundle, either in a geographic region or in a specific sector. The other is to develop a common program of activities for projects. These measures are highly beneficial to small-scale forest owners and managers as they reduce transaction costs and complexity in implementation.



⁴ For more information about LULUCF: www.unfccc.int/methods_and_science/lulucf/items/3060.php

Q12

What practical actions can forest stakeholders take to move REDD+ ahead in the immediate future?



Government, civil society, and the private sector can all take immediate action to develop REDD+ strategies. Some practical examples include:

- Enhance skills and improve knowledge on forests and climate change at all stakeholder levels, including for monitoring, reporting, and verifying
- Communicate and advocate clearly and effectively about the role of forests in climate change to stakeholders from outside the forest sector
- Assist in developing clear social and environmental standards for REDD+
- Improve forest governance
- Establish credible reference emissions levels (RELS)
- Increase efforts to enhance local people's skills in managing forests
- Document and disseminate practical lessons learned through REDD pilot projects
- Establish effective national monitoring institutions and a clearinghouse
- Enhance understanding of the politics and economics of forest carbon credit markets, and effective and equitable means of benefit distribution
- Learn from previous forest policy interventions and their impacts (e.g. integrated conservation and development programs, protected area management, community-based forest management, payment for ecosystem services)
- Understand Free, Prior, and Informed Consent and actively involve indigenous peoples and local communities in readiness processes
- Identify and communicate the true risks and costs associated with delivering REDD+ objectives
- Further clarify rights over forest tenure and use, "carbon ownership," decision-making, and benefit-distribution systems

"The positive impacts of REDD+ can and should outweigh any negative impacts."

Tom Clements



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