



TRENDLINES

The Forest Trends Newsletter

December 8, 2004

Dear Friend,

There has been a lot of activity here at Forest Trends in the second half of 2004. Many of us have just come back from the World Conservation Congress in Thailand where we launched an exciting new initiative, the *Ecosystem Marketplace*. In addition, there have been a number of other activities, about which you can read in this newsletter.

I look forward to your comments and to continuing our work together.

Best wishes,

Michael Jenkins

INITIATIVES

Just launched! *Ecosystem Marketplace*

The *Ecosystem Marketplace* will be the first global information resource to offer timely, relevant and comprehensive information on price trends, deals and events, as well as resources and tools for buying, selling and investing in ecosystem services. It will cover (1) Markets for carbon sequestration related to land-use and forestry; (2) Markets for water quality and quantity related to watershed management; (3) Biodiversity and endangered species markets; and (4) Other conservation-related transactions.

Components of the *Ecosystem Marketplace* include:

- Daily News content on developments and trends in ecosystem service markets
- Background and Primers with information on the extent to which incentives for these markets are being used
- Editorials and Columns by market leaders
- Policy Links with information on regulation and policy that enables incentives for improvement in environmental performance.
- Deal Corner– tracking actual trades in ecosystem service related markets

The *Ecosystem Marketplace* will be an invaluable tool for a wide array of audiences: businesses, governments, local communities and landowners, the financial community, policy makers

and environmentalists. It offers all of these groups information on ecosystem service markets tailored to their needs.

We anticipate that the *Ecosystem Marketplace* will play a highly catalytic role in promoting new markets and payments for ecosystem services. It will provide critical, up-to date information to individuals and institutions seeking to initiate ecosystem service market activities; connect buyers, sellers and intermediaries; and provide regional support to market players in critical countries and regions. To access the *Ecosystem Marketplace* and sign up for the bulletin update, go to: www.ecosystemmarketplace.com

We are launching this new initiative in a series of events. The first two launches just took place in Sydney, Australia and Bangkok, Thailand at the World Conservation Congress; another event that will take place simultaneously in London and New York and that we are co-organizing with ABN-AMRO and Citigroup is planned for the spring.

CONVENINGS

Recent Events:

SBSTA meeting on Mitigation and Forest Climate Alliance in Bonn

Sara Scherr of Forest Trends presented to the delegates of Subsidiary Body of Scientific and Technical Advice (SBSTA) of the UN Framework Convention on Climate Change (UNFCCC) in Bonn, Germany in June. Her presentation, “Greenhouse Gas Mitigation as a Tool for Sustainable Rural Development: Linking International Action on Climate Change, Hunger and Poverty, and Environmental Conservation” was made during a session on the relationship between climate change mitigation and other development objectives. More information about the meeting can be found at <http://unfccc.int/sessions/sb20/index.html>

Civil Society Advisory Group and ITTO Trade Advisory Group Issue at 36th Session of Tropical Timber Council

As a member of the Civil Society Advisory Group (CSAG) in the International Tropical Timber Organization (ITTO), Forest Trends co-chaired a meeting with the Trade Advisory Group (TAG) of the ITTO to identify joint measures to combat illegal logging. Their recommendations were presented at the Thirty-sixth Council Session. As a result, donors pledged to support the top three short-term actions: (1) an international conference on communities, tenure and illegal logging; (2) a conference on illegal transport; and (3) new funding to support private and civil society partnerships to advance sustainable forestry. The ITTO is studying the full set of recommendations to see how they can be incorporated into its current work plan. Please visit www.foresttrends.org to view the complete workshop report and <http://www.itto.or.jp/live/PageDisplayHandler?pageId=217&id=752> to read the ITTO press release.

The Civil Society Advisory Group (CSAG) also advanced the participation of community voices in the CSAG and their inputs into the International Tropical Timber Agreement (ITTA) discussions. The Group launched a position statement on the successor agreement to the ITTA which was negotiated July 26-30th in Geneva, presenting recommendations on a range of issues including the scope of ITTO, role of communities in decision-making, and

the inclusion of non-timber forest products and ecosystem service markets in the agreement and organization's focus.

Please visit <http://www.forest-trends.org> to read the CSAG position statement on the ITTA.

International Ecoagriculture Conference in Nairobi

The International Ecoagriculture Conference and Practitioners' Fair was held in Nairobi, Kenya, September 25-October 1, 2004, co-organized by Ecoagriculture Partners, the World Agroforestry Centre, IUCN and Forest Trends. The first-of-its-kind meeting was attended by more than 200 of the world's leading innovators in ecoagriculture from 46 countries, with an unusual mix of grassroots community group leaders, researchers in agriculture and ecology, agriculture and rural development professionals, agribusiness and food industry leaders, conservation leaders and public agency officials. Major outcomes of the meeting were:

- Advanced understanding of ecoagriculture principles and strategies;
 - Specific recommendations for a Strategic Action Plan for Ecoagriculture Partners;
 - A 'Nairobi Declaration on Ecoagriculture'
- http://www.ecoagriculturepartners.org/Meetings/Nairobi2004/nairobi_dec.php.

A report by the Earth Negotiations Bulletin may be found at <http://www.iisd.ca/download/pdf/sd/sdvol96num2e.pdf>.

More details about the Conference may be found at: www.ecoagriculturepartners.org. A Community 'Shamba' ('Farm' in Swahili) was organized before and during the meeting to facilitate the full participation of grassroots community leaders in the program, through collaboration with The Equator Initiative and UNDP. Details about the Shamba may be found at

<http://www.undp.org/equatorinitiative/secondary/events/CommunityShamba.htm>

International Forum on Investment and Finance in China's Forestry Sector in Beijing, China

Forest Trends, the Center for International Forestry Research (CIFOR), and the China National Forestry Economics and Development Research Center (FEDRC) of the State Forestry Administration (SFA) co-organized the International Forum on Investment and Finance in China's Forestry Sector, September 22-23, 2004. Over 150 representatives from domestic and international financial institutions, government agencies, academe, and private sector attended. The forum produced a set of recommendations that emphasizes the need to improve and strengthen public investments in forest restoration and to better target public investments in industrial plantation development and plantation-based wood processing industries. The forum also advocated the adoption of policy reforms that encourage greater investment by private sector and collective forest owners and the establishment of markets for forest ecological services. The group recommended that private and public banks and investors adopt new and more stringent investment policies and due diligence procedures for all forestry and wood processing investments. For more information, please visit <http://www.foresttrends.org/whoweare/meetings.htm>

Katoomba Group at World Conservation Congress, Bangkok, Thailand

The Katoomba Group, for which Forest Trends serves as a secretariat and whose work Forest Trends coordinates, hosted a full-day Global Synthesis Workshop “Ecosystems for Sale in an Unequal World” at the recent IUCN-World Conservation Congress. The workshop explored the potential of emerging markets for carbon sequestration as well as payments for habitat restoration and offsets, focusing on their implications for biodiversity conservation and rural development. In addition, participants discussed the synergies between incentives for watershed protection and biodiversity conservation, the potential and limits of markets for ecosystem services for poverty reduction and priorities for the conservation community in the development of future markets.

For more information, please visit

<http://www.katoombagroup.com/Katoomba/meetings/katoomba7.htm>

Private Katoomba Group Meeting, Bangsaen Beach, Thailand

Following the World Conservation Forum, the Katoomba Group convened in Bangsaen Beach, Thailand to further refine the design and coverage of biodiversity markets and the *Ecosystem Marketplace*. The group also adopted the biodiversity offsets pilot program, organized by Forest Trends and Insight Investment, as a Katoomba activity and laid the groundwork for Katoomba events in East Africa and China in 2005. Participants came from over a dozen countries and included both old and new Katoomba members. For more information, please visit

<http://www.katoombagroup.com/Katoomba/meetings/katoomba7.htm>

Upcoming Events:

Conference “Collective Forestry in China” postponed to January 2005

The conference, "Collective Forestry in China: Issues and Potential" has been postponed to January 13-14, 2005 in Beijing. This conference will focus on key policy issues affecting Chinese collective forests, case studies identifying policy impacts and options and international experiences. Contact Anders West (awest@forest-trends.org) for more information.

PUBLICATIONS

Biodiversity Offsets Report

Forest Trends is pleased to announce the release of a new report “Biodiversity Offsets: Views, experience and the business case” published jointly by IUCN-The World Conservation Union and Insight Investment, London. Based on a series of interviews about biodiversity offsets and presents preliminary conclusions regarding the potential and limitations of biodiversity offsets and discusses what steps are needed to develop the approach further. The report can be obtained by email the IUCN publication service at info@books.iucn.org. It can also be downloaded from

<http://biodiversityeconomics.org/offsets> and www.insightinvestment.com/Documents/responsibility/Biodiversity_Offsets_Report.pdf

Who Conserves the World's Forests? Community-Driven Strategies to Protect Forests and Respect Rights

This new study, authored by Augusta Molnar, Sara J. Scherr and Arvind Khare, found that indigenous and other communities now conserve at least as much forest as is in public protected areas and invest an equal or greater amount than governments. The report was launched at a press conference in Geneva, Switzerland in conjunction with the Thirty-sixth session of the International Tropical Timber Organization Council and the renegotiation the ITTA. The launch was covered by major daily newspapers and weekly magazines, including the *Financial Times*, *Der Spiegel* (Germany), and the BBC as well as other news venues around the world. Altogether, over 80 articles and news reports in over 10 languages in approximately 20 countries commented on its findings. The current draft form of the report is available at <http://www.forest-trends.org>

Series on China and Forest Trade in the Asia-Pacific Region

In collaboration with the Centre for International Forestry Research and various other organizations, we released three new country studies analyzing the relationships between Chinese demand and producer country forests, markets and livelihoods. For more information about this series, please contact Xiufang Sun of Forest Trends (xsun@forest-trends.org) and visit <http://www.foresttrends.org> for the complete articles.

1) Navigating the Border: An Analysis of the China-Myanmar Trade

This new study documenting forest trade between Myanmar and China deepens the understanding of the gateways, the flows and the key actors on both sides of the border. The work was prepared by the World Agroforestry Center and Forest Trends. Please contact Fredrich Kahrl at xuanzhixuan@yahoo.com for more information.

2) Overview of the Forest Sector in the Russian Far East: Production, Industry, and Illegal Logging

This paper provides extensive information and insights on the current state of the Russian Far East's (RFE's) forest sector. It includes a data-rich discussion of the RFE's natural forest resource base and reviews forest policy at the federal and provincial levels. It also surveys and quantifies the large range of illegal activities in the RFE's forest sector and assesses potential impacts as compared to legal activity. The work was prepared by the Economic Research Institute in Khabarovsk and Forest Trends. Please contact Alexander Sheingauz at sheingauz@ecrin.ru for more information.

3) China's Impact on the PNG Forestry Industry

This paper provides an in-depth view of the state of PNG's forest sector and the role of exports to China in that sector. It reviews the current status of PNG's forest resource base, describes the nation's extensive concession system, and provides detailed data on log and processed product production and export as well as an analysis of policy and livelihood implications of the PNG-China log trade. The work was prepared by the University of Papua New Guinea Remote Sensing Centre, the Foundation for People and Community Development, Forest Information Services and Forest Trends. Please contact Phil Shearman at shearman@upng.ac.pg for more information.

Making Environmental Markets Work: Lessons from Early Experience with Sulfur, Carbon, Wetlands, and Other Related Markets

This paper by Ricardo Bayon, Managing Editor of the *Ecosystem Marketplace*, provides a brief overview of several existing and proposed environmental markets, including: the Acid Rain market in the US, the Emissions Trading Scheme in the UK, the proposed Emissions Trading System for the European Union, the US market in greenhouse gases proposed by Senators McCain and Lieberman, the US market in wetlands mitigation credits, and the renewable energy market in Texas. The paper attempts to draw some lessons and conclusions from these markets and argues that markets can help maintain, provide, and distribute environmental goods and services, but require government will, government power, and established legal institutions to do so effectively. The paper is available at <http://www.forest-trends.org>

Payments for Ecosystem Services within Communities: CD Available

Following a workshop with WWF and CARE International in April, Forest Trends developed a CD on payments for ecosystem services. It is targeted to communities and development organizations and contains publications, websites, and other resources relevant to ecosystem service markets, as well as detailed case studies involving communities. To obtain a copy of the CD, contact Mira Inbar at minbar@forest-trends.org