**National Technical REDD Committee**

**&**

**Climate Change Unit, Forestry Commission**

**Operationalising Carbon Finance for Sustainable Tree Crops in Ghana**

**1st Roundtable on Carbon Policy and Governance in Ghana**

**November 27 & 28, 2008**

**Venue: Coconut Grove Regency Hotel, Accra**

**Introduction and context**

Ghana has one of the highest deforestation rates in Africa, if not the world, – about 2% per annum. It has lost about 85% of its forest cover over the last 100 years due to a combination of factors, including agricultural development and a range of market, policy and governance failures, including illegal logging. Carbon finance has the potential to alter the economics of deforestation by giving value to standing forests, and providing an economic incentive for planted trees – it responds directly to market failure and provides a market-based incentive for better policies and governance. The demand relates to the realization that sustainable forestry is fundamental to climate change stabilization – especially the fact that deforestation contributes about a fifth of global carbon emissions.

The global market for carbon credits provides a new and significant economic opportunity for Ghana, one that requires, in the case of forest-based carbon credits, new or modified land, forest and climate policy, new regulatory frameworks, and new fiscal policy. Ghana has taken significant steps to prepare for entering carbon markets, but it is still early days and the fundamental structures for regulating production, trade and export of carbon credits are not in place.

Ghana’s carbon finance potential has been recognized by the government and this evidenced by the country’s membership of the Coalition of Rainforest Countries that is working to ensure that “REDD (Reducing Emissions from Deforestation and Forest Degradation)” is included in the UNFCCC post-2012 framework. The World Bank has included Ghana in the first batch of countries to receive support for “REDD (Reduced Emissions from Deforestation and Forest Degradation) Readiness” under the World Bank Forest Carbon Partnership Facility.

There is however a major bottleneck to making rapid progress on the carbon finance agenda for Land Use, Land Use Change and Forestry (AFOLU), especially REDD. This is the lack of understanding and capacity, especially at policy levels – therefore there is no clear carbon finance strategy in Ghana. Ghana has limited experience with carbon finance (e.g., no established AFOLU carbon finance projects), and there is therefore little experience to build on. These factors also make it difficult for Ghana to present a coherent national position at the UNFCCC discussions, which will reach a climax at the Copenhagen meeting in December 2009 when the post-Kyoto regime, including a REDD mechanism, will be negotiated. There is therefore great urgency to move forward on the carbon finance agenda, initially over the next 12-15 months, and then over the longer term given that the gestation period for carbon projects is normally about 18 months to two years.

There is also a vital social and economic context around sustainable cocoa production. This is the main livelihood basis for approximately 30% of the population and Ghana’s 2nd place export. At the same time cocoa is a key driver of encroachment of forest reserves. Preliminary research by Reading University / CRIG / Earthwatch / NCRC in a traditional cocoa growing area of the Eastern Region has documented that traditional shade-tree cocoa contains about two-thirds of the carbon stored in intact high forest, and about twice that found in intensive cocoa agriculture, including hybrid or non-shade cocoa systems. Particularly in the Western Region, there is a rapidly advancing full sun hybrid cocoa frontier causing major carbon emissions. In addition hybrid cocoa is unsustainable in the longer term, unlike shaded cocoa. This sets up a major social and economic potential for ‘Cocoa Carbon’, as well as its importance in global climate change mitigation. There is an urgent need to explore scenarios for REDD carbon payments that may incentivize farmers to prefer shade-tree cocoa over hybrid cocoa or other low carbon storage land use options, and thus promote a sustainable land use system (ensuring the long-term supply of cocoa exports) with major poverty reduction benefits.

Rapid progress is needed on three main fronts:

1. Understanding and capacity at the policy level, including for the development of a facilitating policy, legal and institutional framework for carbon finance, especially REDD.
2. Technical capacity building, including for national and sub-national or project level carbon baselines, monitoring and accounting.
3. Design and implementation of pilot projects, especially REDD pilot or ‘demonstration activities’ – these could include cocoa carbon, sustainable charcoal production, community conservation projects and forest reserves – especially those located in the savanna zone. Projects are also the most effective means of developing technical and policy level capacity, e.g., appropriate institutional arrangements for carbon finance.

This process is principally aimed at the first two components; the third component is being promoted through parallel initiatives, including development of a pilot ‘cocoa-carbon’ project with the support of the Cadbury Partnership and parallel initiatives of the Katoomba Group[[1]](#footnote-2).

**Key legal and policy challenges**

All carbon stakeholders (landowners, communities, project developers, investors and carbon credit buyers) need clarity via specific, carbon-related national policies and regulations, with clear associated guidance, to underpin any investment in the generation of carbon credits. Relevant policy/regulation clarifications include:

* ownership of trees grown in carbon financed plantations,
* all rights, such as timber rights, over the trees, and any restrictions on rights,
* ownership of carbon rights for planted trees on forest reserves taking account of duration of rights as conferred via the 50 year plus 50 year lease arrangements currently in force for foreign investments in forest reserves,
* status of carbon rights and whether these are fully transferable, separable and enforceable,
* treatment of carbon credits as exports,
* carbon trading regulations,
* treatment of financial transaction in carbon rights (for instance, does this fall under securities law?) and clarification of fiscal issues,
* policy/regulation in off-reserve areas,
* forest reserve land use (for example, multiple use of forest reserve land which is severely degraded).

Key cross-cutting issues include poverty reduction, biodiversity conservation, environmental/natural resource protection and governance.

**Process facilitators**

**National Technical REDD Committee** and the **Climate Change Unit of Forestry Commission** are the conveners and hosts of this series. The National Technical REDD Committee was recently established and its secretariat is the Climate Change Unit in FC.

**Katoomba Group**, a member of the **Forest Trends** family of initiatives, is a global network of practitioners working to promote the use and improve capacity for developing ecosystem services payments. It seeks to achieve this goal through strategic partnerships for analysis, information-sharing, investment, market services and policy advocacy. The Katoomba Group includes over 180 experts and practitioners representing a unique range of experience in business finance, policy, research and advocacy. It has held 11 major global conferences since 1999, published and contributed to many payments for ecosystem services (PES) publications, and advised various PES schemes including the BioCarbon Fund at the World Bank and the Mexican Payment for Hydrological Services Program. The Katoomba Group has also advised national policy discussions on financial incentives for conservation in China, Brazil, India, Colombia, Peru and other countries.

Forest Trendshas 10 years experience promoting sustainable forest management and conservation. Forest Trends focuses its activities on the development and expansion of PES markets and other investments for forest conservation and sustainable livelihoods for forest communities. Forest Trends has also launched a set of pioneering parallel initiatives — including the Katoomba Group and others. The Forest Trends network is extensive and includes leaders from the forest industry, environmental groups, finance, donors, and community conservation. Forest Trends and Katoomba work closely with its West Africa partner – NCRC.

**Round tables and Katoomba Meeting**

Organization of a series of high level policy and technical meetings on carbon finance over the next 15 months: two 1.5 day roundtable events on developing the legal, policy and institutional framework for forest carbon finance, involving about 40 senior government and civil society representatives, feeding into a major Katoomba Group Conference on carbon finance, with a special focus on tree crops, to be held in Accra in November 2009. Support will also be given to an in-country technical working group with two sub-committees: one to develop the legal/property rights framework for carbon finance, and a second to assess the wider policy and institutional framework for PES. The Technical Working Group will be set up at the first roundtable event scheduled for late November 2008.

**Invitation list**

The list includes representatives of:

* Ministry of Finance & Economic Planning 1 rep
* Ministry of Food & Agriculture 2 reps
* Ministry of Land, Forestry and Mines 1 rep
* Ghana Cocoa Board 2 reps
* Environmental Protection Agency 1 rep
* Forestry Commission 3 reps
* Cocoa Research Institute of Ghana 2 reps
* Cadbury International 2 reps
* Cadbury Cocoa Partnership 1 rep
* Cargill International 1 rep
* Barry Caullebaut 1 rep
* Wienco Ghana 1 rep
* IUCN 1 rep
* Forest Watch 1 rep
* CARE International 1 rep
* World Vision 1 rep
* VSO 1 rep
* STCP Ghana 1 rep
* National House of Chiefs 2 reps
* Media houses 4 reps
* Coalition of Rainforest Nations 1 rep
* Smartwood – Rainforest Alliance 1 rep
* British High Commission 1 rep
* UNDP 1 rep
* USAID 1 rep
* Royal Netherlands Embassy 1 rep
* Royal Danish Embassy 1 rep
* Government of Norway 1 rep
* CIDA 1 rep
* World Bank 1 rep
* European Union 1 rep

**Total participants 41 persons**

1. The Katoomba Group and NCRC are engaged in discussions with other potential carbon project developers, and also plan to initiate a regional ‘Katoomba Ecosystem Services Incubator’ to provide technical and financial support for getting community-based PES products to market. The ‘Incubator’ is currently being road tested in Latin America and East Africa. A community-based sustainable charcoal production project in the Brong-Ahafo Region may be one of the first Incubator projects in Ghana. [↑](#footnote-ref-2)