

Anti-deforestation market finally set to bloom

Ben Garside | 8 Nov, 9:36 AM

Climate | Carbon markets

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Developers seeking carbon credits from forestry projects expect their market to grow 25 per cent this year, a survey showed on Wednesday, defying an 8 per cent drop in the value of global transactions in 2012 when they produced more credits than they could sell.

The optimistic outlook would outpace the 9 per cent growth in 2012 in the traded volume of credits sourced from projects that cut emissions of greenhouse gases either by planting trees or slowing deforestation, according to a survey by US research group Forest Trends' Ecosystem Marketplace.

Some 28 million units changed hands worldwide last year, up from 25.6 million in 2011 and covering 162 projects in 58 countries over a land area larger than Ecuador.

Most buyers were large multinational corporations, who purchase voluntary credits to enhance their reputation among customers that they are taking steps to reduce their environmental impact.

"Private businesses increasingly recognise the numerous climate risks to their security and producer livelihoods," said Forest Trends President and CEO Michael Jenkins in a statement to the survey's report.

But the value of the 2012 deals slipped 8 per cent year-on-year to \$US216 million in 2012 as developers produced more credits than they could sell.

The average 2012 price per credit, sourced from projects that cut emissions of greenhouse gases either by planting trees or slowing deforestation, dropped to \$US7.80 a tonne of CO₂ equivalent from \$US9.20 a year earlier.

"Developers were unable to find a buyer for 30 million tonnes of CO₂ equivalent – worth an additional \$US236 million if they had been successful," the report said.

Deforestation accounts for up to around 17 per cent of greenhouse gas emissions blamed for climate change.

Governments have struggled to find a way of protecting forests as developing nations such as the Democratic Republic of Congo and Indonesia often lack other means of generating economic growth to tackle poverty.

With public funds running short, industrialised nations want to let the private sector pay to keep forests

intact but investors are wary without globally-agreed rules on the land rights of forest dwellers and measuring emission cuts.

“As market participants will admit, significant market growth hinges on regulatory drivers,” the report added.

The US state of California is considering allowing its companies to meet part of their binding emissions caps using forestry credits sourced from abroad.

But the European Union, home to the world’s biggest carbon market, is reluctant to allow the credits over concerns about accurately measuring the emission reductions.

Agreement on global standards for addressing deforestation is one of the key issues to be discussed next week among almost 200 nations at UN climate negotiations in Warsaw, Poland.

The fortnight-long Warsaw talks are tasked with making headway on reaching a global agreement in 2015 that will bind all nations to limit their emissions from 2021.

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