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
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…