

The policy context of REDD+

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Outline

- Background of REDD+
 - Definition
 - Evolution of the concept
- Relevance of REDD+ in S.E Asia
- Enabling conditions for REDD+
- Policy implementation challenges (Indonesia)
 - Land use planning
 - Consultation process
 - Timber market
- Opportunities and risks of REDD+
- Final remarks

Background (1) What is REDD+?

- REDD+: “Reducing Emissions from Deforestation and Forest Degradation, conservation, sustainable forest management and enhancing carbon stocks”
- Foresees a financial mechanism: Developed countries remunerate developing countries for maintaining and/or increasing carbon stocks in forests

Background (2): The evolution of REDD+

- UNFCCC/COP3 (1997), Kyoto protocol
 - Afforestation/Reforestation. Deforestation not included because of methodological concerns: baselines, leakage, permanence, additionality
- COP11 (2005) RED proposed by the Coalition of Rainforest Nations
 - Proposal submitted to the Subsidiary Body for Scientific and Technological Advice (SBSTA)
- COP13 (2007) Bali Action Plan called for
 - “Policy approaches and positive incentives on issues relating to REDD in developing countries...”
 - “encourages parties to explore a range of actions, ... , including demonstration activities, to address the drivers of deforestation relevant to their national circumstances, with a view to reducing emissions from deforestation and forest degradation and thus enhancing carbon stocks due to sustainable management of forests” (UNFCCC 1/CP13; 2/CP13)
- COP14 (2008): REDD+ officially adopted
 - Developing nations pushed for conservation, SFM and the enhancement of carbon stocks to be given the same importance in the negotiations as reducing emissions from deforestation and degradation
- COP16 (2010): Cancun accord
 - Emphasizes: REDD+ is voluntary and country-driven (according to national development priorities)
 - Support the sustainable management of forests
 - Released a number of safeguards:**
 - Support a transparent and effective national forest governance structure, taking into account national legislation and sovereignty
 - Consistent with the protection and conservation of natural forests, enhance their social and environmental benefits and will not be used for the conversion of natural forests
 - Full and effective participation of all relevant stakeholders, including indigenous peoples and local communities and respecting their knowledge and rights (UNDRIP).
 - Actions to address risks of reversals and reduce the displacement of emissions

Why is REDD+ appealing for Southeast Asian countries?

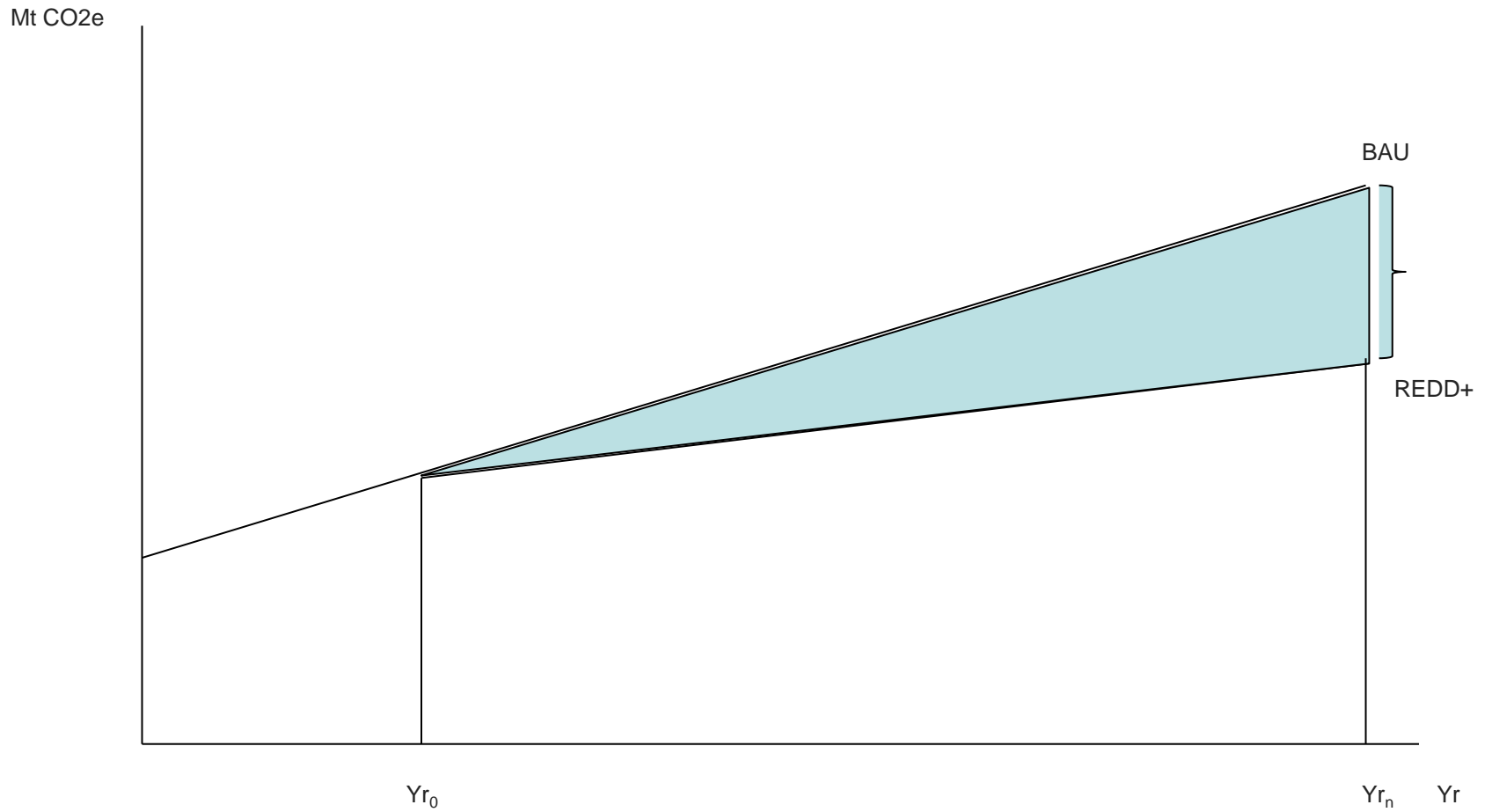
- 75% of all CO2 emissions originate from deforestation and forest degradation (ADB 2009)
- Potential to raise unprecedented financial flows
 - Indonesia
 - Potential annual revenues from reducing deforestation (1.87m ha/yr) by 50%: 2.5-4.5 billion USD
 - ODA in the last two decades: 1 billion USD
 - Financial flows are conditional
 - Permanent emission reductions must be demonstrated
 - Enabling environment must be achieved

The enabling conditions for REDD+ (readiness)

- **Institutional conditions:**

- Approve and enforce laws;
- Establish clear property rights of forest lands;
- Design and establish a transparent tracking and accounting system of national-level emissions (determine carbon stock **baselines**)

REDD+ baseline



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- **Social conditions**

- Consultation and participation of relevant stakeholders in REDD+ activities including
 - local governments
 - relevant NGOs and civil society organizations, and
 - indigenous and local communities (**free prior informed consent**)

Free prior informed consent

- **Free:** there should be no coercion, manipulation or intimidation of local communities.
- **Prior:** local communities have been sought out well in advance of the authorization and/or the beginning of any activities, and that the processes provide enough time for consultations with them
- **Informed:**
 - knowledge of (at least) the nature, size, duration, reversibility, scope and areas involving the proposed activities,
 - reasons why the project/activity is being proposed; that they have access to a preliminary assessment of the possible economic, social and environmental impacts (including potential risks as well as fair and equitable benefit sharing).
 - knowledge of who is likely to be involved in the execution of the proposed project (including community members, private sector staff, research institutions, government employees, etc.), and that they
 - understand the procedures that the project may involve.

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- **Benefit sharing**

- Design and implement mechanism for equitable sharing of financial benefits of REDD+

Phased implementation of REDD+

	Measures	Funding	Crediting scale	MRV
Phase 1	<ul style="list-style-type: none"> • National strategy adopted; • Legislative and policy assessments completed; • Consultations conducted; 	Multilateral (e.g. FCPF, UN-REDD+) and bilateral initiatives (e.g. Norway, AusAid) to support national strategies and readiness activities	Sub-national	Capacity development
Phase 2	<ul style="list-style-type: none"> • Policies enacted; • Measures enforced; • Indicators for carbon changes 	Multilateral and bilateral sources	Sub-national and national (nested)	Capacity development and basic monitoring capacity
Phase 3	Forest carbon stock changes quantified compared to a reference level	Carbon markets (does not necessarily exclude the use of funds)	National or nested approach	Advanced monitoring capacity and establishment of reference levels

Policy challenges: Land use planning

- Development of agricultural activities traditionally expanding in forest lands vs. REDD+
- Economic value of agricultural products tied to development objectives
- Example: Oil palm in Indonesia
 - Export value of oil palm
 - 2009: \$11 billion
 - 2010: \$14-15 billion
 - Expected social benefits from oil palm
 - Employment
 - Infrastructure
 - Expected revenues from REDD+
 - \$2.5-4.5 billion (contingent on reducing deforestation by 50%)

Oil palm development in Indonesia

Year	Area (ha)				
	Smallholders	State	Private	Total	% increase
1980	6,000	200,000	84,000	290,000	
1990	292,000	372,000	463,000	1,127,000	289%
2000	1,167,000	588,000	2,403,000	4,158,000	269%
2008	2,903,000	697,000	3,497,000	7,097,000	71%

Source: Indonesia's Directorate General of Estate, Department of Agriculture 2008

- Indonesia plans to double its current production (to 40 million metric tons by 2020)
- Much of the expansion until now has occurred at the expense of forest and peatland forests
- To avoid deforestation, future expansion planned in degraded lands
- Requirement: Strong process of land use planning is undertaken (inter-sectoral policy coordination)

Policy challenges

Consultations in Indonesia

- Consultation of local communities and indigenous peoples needs to improve
 - Information not disclosed fully and well in advance
 - Information not available in the local language
 - Communities and indigenous peoples need to build their capacity and knowledge on REDD+
 - Understand technical issues
 - Gain a comprehensive understanding of the socioeconomic consequences of engaging in REDD+
- Consultation needs to be envisaged in the long term
 - Risk of underestimating the effort needed for consulting communities

Policy Challenges at the market level in Indonesia

- Excess demand for timber consistently drives deforestation and forest degradation
- Annual industrial demand for round wood: 60 million m³ (WB 2006)
 - Sustainable annual yield from natural forests: 8-9 million m³
 - Sustainable annual yield from forest plantations: 3-4 million m³
- Risk of increasing market imbalances if...

Challenges at the market level (2)

- ...if REDD+ can lead to supply shortage, and
- if timber demand remains constant (or even increases) leading to price increases
 - Timber prices tend to increase when:
 - Alternative sources cannot supply the demand
 - There are no good substitutes available
 - Price increase of timber is an incentive for stakeholders to engage in logging
 - Increased risk of leakage

Potential opportunities through for REDD+

...if successfully implemented, REDD+ can contribute to reduce emissions reduction and:

- Improve livelihoods
- Conserve biological diversity and watershed functions
- Improve forest governance

Potential risks for REDD+

- Opportunity costs approach underestimates the real costs of REDD+
 - Implementation costs: actions to reduce deforestation and degradation, administration costs
 - Transaction costs: acquiring information, designing contracts, MRV
 - Institutional costs: institutional reforms, capacity building needs
- Opportunity cost approach
 - Poor indicator to alleviate poverty as it does not account for
 - The value of subsistence activities
 - The cost of building human capital for farmers to access higher earning activities
 - The cost of assessing the feasibility of alternative activities (livelihoods) for farmers to engage in
- Moral hazard
 - Inflated baselines presented to the FCPF: Examples of Guyana and DRC (Gregersen et al 2010)
 - Historical annual deforestation much lower than deforestation scenarios developed as baselines
 - Strategic behaviour of government and private stakeholders
 - Local communities and indigenous peoples may be at risk for lack of property rights

Final remarks

- Countries engaging in REDD+ need to credibly improve their institutional capacity
 - Law enforcement
 - Involvement of local stakeholders (communities and indigenous peoples)
 - Improve forest governance
- Other sectors (beyond the forest sector) need to be involved
- Strategies to address the demand for timber need to be devised
- More differentiated approach to the costs of implementing REDD+ is needed

A photograph of a lush green forest. In the center, a large, full-canopied tree stands prominently. To its left, a taller, thinner tree reaches higher into the sky. The foreground is filled with dense, vibrant green foliage and some bare, tangled branches. The sky is a clear blue with scattered white clouds. The text "Thank you" is written in a white, sans-serif font across the lower-middle part of the image.

Thank you