

# Rights-based Financing for Forests and Climate

Independent Advisory Group on  
Forests, Rights, and Climate Change

UN-REDD Policy Board Meeting

Berlin

13 October 2011

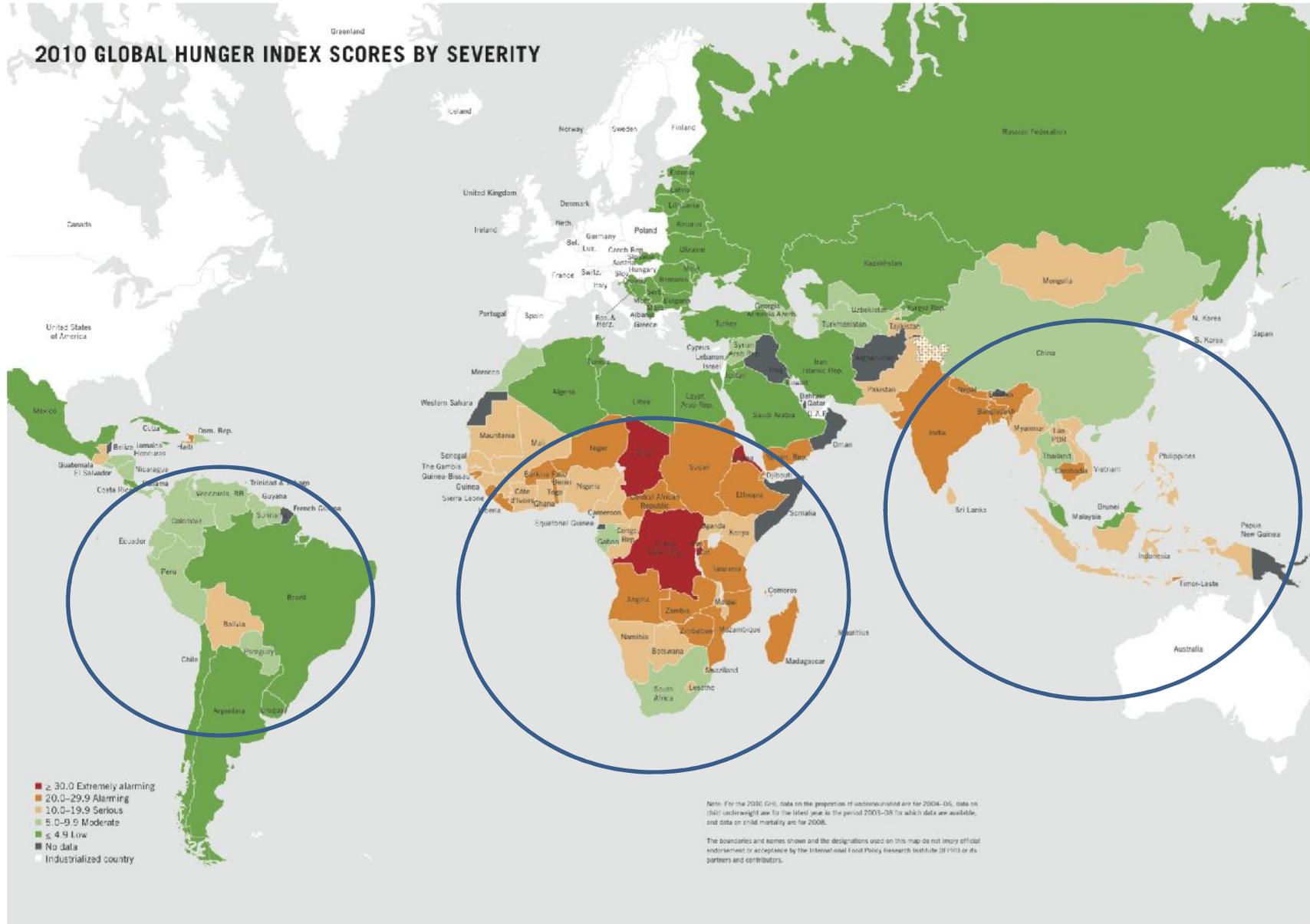
# Outline

1. Role of the Independent Advisory Group on Forests, Rights and Climate Change
2. Changes in global context to REDD+ financing debate since Bali Action Plan
3. Lessons emerging from rights-based and financial markets analysis of early REDD+ implementation and REDD+ readiness initiatives
4. Implications of 1 and 2 for REDD+ finance
5. Discussion

## Changes in global context to REDD+ financing debate from Bali Action Plan to UN REDD PB 7

- Persistent financial crisis and economic downturn in key industrialised countries as result of sub-prime mortgage crisis;
- Stringent emission reduction targets essential for REDD+ finance model based on carbon markets yet prospects for stringent globally binding cap - and hence for global carbon market – are fading;
- Persistent food crisis: 1 billion hungry people

# 2010 GLOBAL HUNGER INDEX SCORES BY SEVERITY



Note: For the 2010 GHI, data on the proportion of undernourished are for 2004–05, data on (GHI) underweight are for the latest year in the period 2003–05 for which data are available, and data on child mortality are for 2006.

The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the International Food Policy Research Institute (IFPRI) or its partners and contributors.

Changes in global context to REDD+ financing  
debate from Bali Action Plan to UN REDD PB 7

Will ODA levels be maintained in face of large  
structural debt in many industrialised countries?

Will there be a shift in prioritization *within* ODA?

What will emerging economies prioritize?  
(food, adaptation, roads...)

(When)will there be a commitment to stringent  
emission cap in developed economies?

# Lessons emerging from rights-based analysis of early REDD+ implementation and REDD+ readiness initiatives

2011 State of Forest Carbon Report: *“In circumstances where tenure or land rights remain unclear, project developers are likely to run into serious or insurmountable challenges to sustainably securing and marketing carbon offsets.”* (p 50)

What do we know about conditions that promote protection and restoration?

- Political will and governance (Gregerson et al, 2011)
- Local tenure security and management increasingly shown to promote better outcomes (Nelson and Chomitz, 2011; Chhatre and Agrawal, 2009; Porter-Bolland et al, 2011)

***YET to date:*** very little action on tenure reform under REDD+ readiness and land tenure conflicts have often increased in early REDD+ project implementation

Infrastructure investment orders of magnitude greater than forest investments (\$25 trillion projected in developing world in next 20 years)

## Lessons emerging from rights-based analysis of early REDD+ implementation and REDD+ readiness initiatives

The Munden Project asserts *“that the current mechanism for engaging private capital under REDD – the so-called “market” approach – is highly likely to fail. Forest carbon trading is unworkable as currently constructed.”* (p 25)

- “Is it that bad?”
- “For the model currently constructed – yes, it is.”

## Public Finance Funding Pledges to date

Norway commitments to multi-lateral funds,  
Amazon Fund and Indonesia

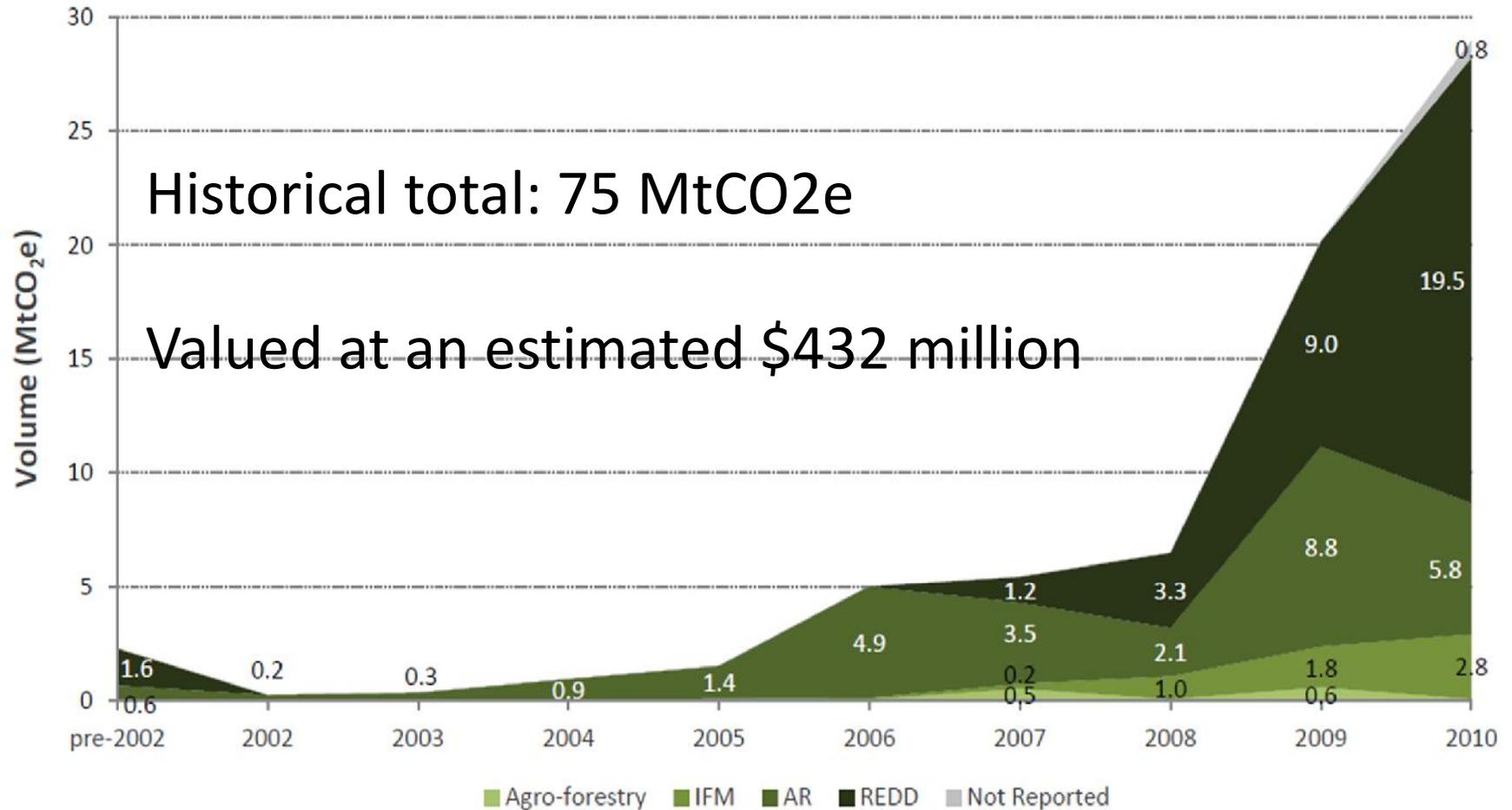
FCPF and UNREDD began operations ~2007

\$100 billion for climate change in Copenhagen  
– REDD+ held up as an example in negotiations

Total commitments for quick-start REDD: \$4-5  
billion

# Voluntary Carbon Market and Forests

Figure 1: Historical Volumes by Project Activity Type (Primary Market Only)



Note: This graph shows volumes contracted by each project type in the primary market. Data labels are omitted in years where volume <0.1 MtCO<sub>2</sub>e.

Source: Ecosystem Marketplace

## Implications of changed global context and lessons from early REDD+ readiness analysis for finance to reduce deforestation and forest degradation

- Voluntary carbon market and some regional schemes alone will not enable scaling up to volumes needed to tackle deforestation:
  - The 75MtCO<sub>2</sub>e contracted through forest carbon projects in the voluntary carbon market is roughly equivalent to 20 days of emissions from Indonesia (LULUCF emissions stood at 1459MtCO<sub>2</sub>e/year as of 2005) (WRI/CAIT, 2011)
- Climate change is not relenting, emissions continue to rise and carbon market always seen as an interim mechanism (Stern Review; SFM: “If carbon markets are still around in 50 years we will have failed to tackle the climate crisis” ....yet 40, 50, 99 year forest carbon offset contracts);
- No global emissions cap results in little trade; carbon market not emerging at speed or scale envisioned to have global impact; capture by intermediaries is large;

## Implications of changed global context and lessons from early REDD+ readiness analysis for finance to reduce deforestation and forest degradation

- Growing recognition that “payment cannot just be about keeping carbon in the forest”
- Yet: large majority of REDD+ Readiness activity and funding is still focused on building infrastructure for payment just for carbon
- Pressure to show results for spending of public funding has increased: concrete results on land tenure versus “inevitably inaccurate forest carbon estimates” [Kendrick, Key Note RRI Dialogue on REDD+ finance]
- Absence of clear tenure rights as risk to investment

Thank You