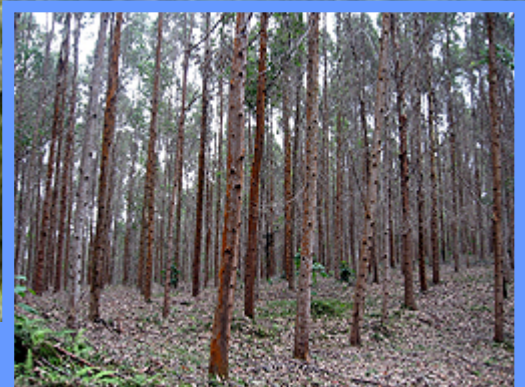
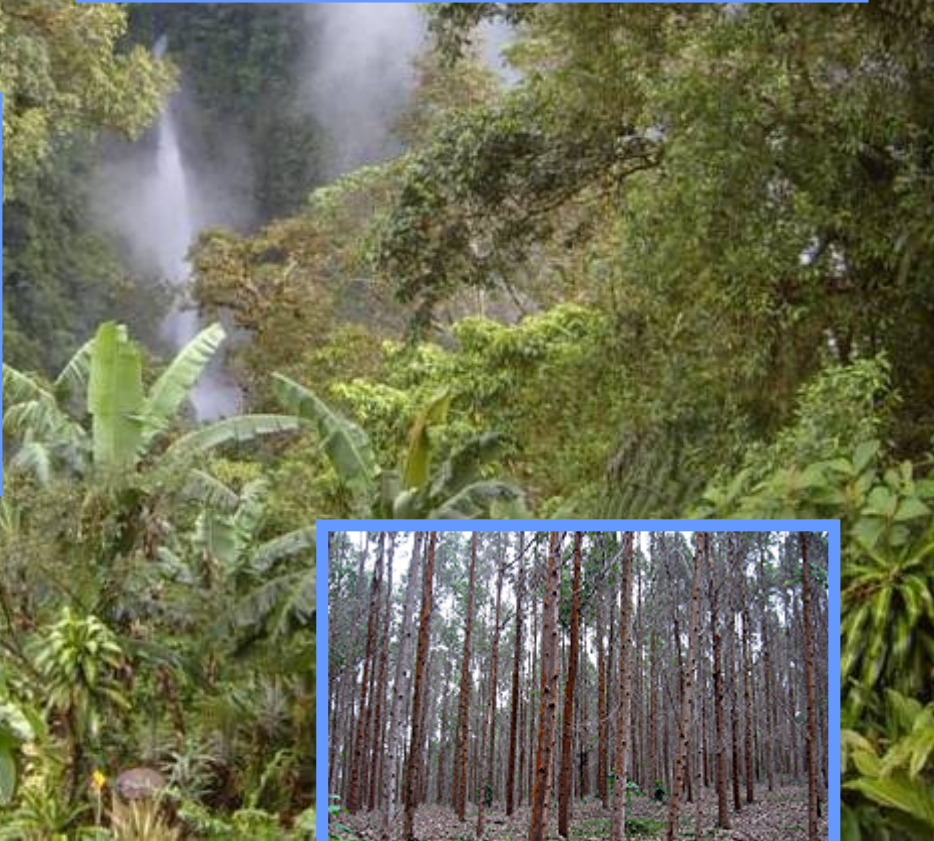


Forests and Climate Change:

An Introduction to the Role of Forests in the UN Climate Change Negotiations



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- Market Mechanisms, REDD and Carbon Markets –
- Public Funds for REDD - What about People? –
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How are Forests and Climate Change Connected?

Forests are Disappearing Fast

Forest ecosystems are critical to the planet's well-being: they cover about 30% of the world's land area, and are home to an estimated 50-90% of all species on earth. About 20% of the world's population (1.6 billion people) rely heavily on them for their livelihoods. But, forests are disappearing fast. At least 7.3 million ha were lost every year between 2000 and 2005, and this rate seems to be going up: the rate of deforestation in tropical primary forest in seventeen key countries was 25% higher between 2000 and 2005 than it was between 1990 and 2000.

Forests Help to Regulate Climate

Stopping deforestation is vitally important for forest dependent communities, and for biodiversity. But it is also critical if we are to have any hope of slowing climate change. Forests play an extremely important role in regulating climate, especially because they 'sequester' or soak up carbon from the atmosphere, using it to grow. But the relentless pace of deforestation has the opposite effect: it releases so much carbon back into the atmosphere that it now accounts for almost 18% of all 'man-made' greenhouse gas or 'anthropogenic' emissions - more than that of all the world's transport.

Forest soils help to regulate the planet's climate as well. Over two thirds of the carbon in forest ecosystems is contained in soils and associated peat deposits. But this carbon is released when forests are cut and forest soils are disturbed. The world's peat lands are especially vital: they cover just 3% of the world's surface, but contain twice the amount of carbon contained in all its forests. But these peat lands are also being rapidly destroyed, especially in Southeast Asia. As forests disappear, these carbon-packed forest soils are also exposed to more sunlight, causing them to warm up or, in the case of frozen permafrost soils, melt.

Forests also trigger rainfall. Forests aid the movement of water from the soil, up through the trees (through a process known as transpiration), out through the leaves and into the atmosphere. Here the water forms clouds and rainfall. So the destruction of forests is likely to cause significant changes to weather and the climate. And deforestation also has an impact on ecosystems and food production, which are dependent on rain.

But forests themselves are also affected by climate change. Overall, there is a high risk of forest loss predicted in Eurasia, eastern China, Canada, Central America, and Amazonia. Substantially larger areas are predicted to be affected if temperatures climb by more than 3°C. More frequent extreme weather events are expected to affect forests, including hurricanes, tornadoes, unexpected drought, increased wildfires, heavy rainfall, flooding, ice storms and changing patterns of insect pest damage.

Are Forests Already Part of the Climate Change Negotiations?

Yes, forests were in the climate change convention right from the start

Contrary to popular opinion, the UN Framework Convention on Climate Change (UNFCCC), which was signed at the United Nations Conference on Environment and Development in 1992, and ratified by practically all countries in the world (even including the USA), does direct all countries to conserve and restore their forests and other so-called "carbon stocks and reservoirs."

The problem is that the Convention only requires countries to "promote and cooperate" in the conservation of forests and other ecosystems "as appropriate" and it does not

UNFCCC Article 4.1(d):

"All Parties, taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances, shall... Promote sustainable management, and promote and cooperate in the conservation and enhancement, as appropriate, of sinks and reservoirs of all greenhouse gases not controlled by the Montreal Protocol, including biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems."



set a concrete target for this. So countries can claim it was simply not "*appropriate*" for them to conserve their forests.

Critically, the UNFCCC also states that Northern countries are supposed to provide financial and technological assistance to Southern countries to help them implement their climate change obligations. Whether Northern countries are finally willing to put their money on the table is at the heart of the climate change negotiations that are currently taking place.

Forests and the Kyoto Protocol

As the original Climate Change Convention did not include concrete targets, it was decided to try to elaborate its rather vague obligations by drafting protocols. The Kyoto Protocol, which was adopted in 1997, was the first of these.

Negotiators agreed that as climate change was mainly caused by irresponsible consumption patterns in Northern countries, this first Protocol would include concrete binding targets for Northern countries only. These countries, which were supposed to 'take the lead', are listed in Annex 1 of the Convention and Annex B of the Protocol, and negotiators often use the term 'Annex 1 countries' when they are referring to them.

However, the USA refused to sign the Kyoto Protocol, and has since insisted that Southern countries must take up binding targets as well, if they want the USA to do the same. The question of whether some developing countries (especially larger countries like China, India and Brazil) will commit themselves to binding targets to reduce their emissions is also at the heart of the current negotiations.

Forests, and 'land use changes' such as deforestation were included in the Kyoto Protocol: Northern countries account for the emissions caused by deforestation, and the fact that growing trees store carbon (this is known as LULUCF, which stands for 'Land Use, Land Use Changes and Forestry, and is pronounced *loo-loo-see-eff*).

However, as many countries, especially in Europe, had already replaced most of their forests with tree plantations, the Parties to the Kyoto Protocol adopted a definition of 'forests' that includes any collection of trees. Furthermore, as it is normal practice in many of these countries to clear-cut large areas of forests, and plant new trees in their place, often in the form of monocultures (rows of the same trees, all of the same age), it was also decided that this practice would not be counted as deforestation. Such forests are considered 'temporarily unstocked' until new trees are planted.



What are 'Kyoto Forests'?

The Kyoto Protocol and the so-called 'Marrakech Accords' (as the agreements on LULUCF rules and definitions by the Parties of this Protocol are called), allow industrialized countries to discount their greenhouse gas emissions if they implement certain land-use change and forestry activities. These activities are limited to strictly defined cases including afforestation, reforestation and deforestation since 1990, sometimes called 'Kyoto forest'.

'Kyoto forest' is defined as *"a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees with the potential to reach a minimum height of 2-5 metres at maturity in situ. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high portion of the ground or open forest. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 metres are included under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest."*

http://glossary.eea.europa.eu/EEAGlossary/K/Kyoto_forest

excerpt taken from Marrakech Accords Decision 11/CP.7, Annex 1(a)

<http://unfccc.int/resource/docs/cop7/13a01.pdf>

Clearly these definitions have very significant negative implications for old growth forests. If plantations and 'temporarily unstocked' areas still count as forests then there seems to be little to stop destructive logging practices: logging companies can continue to cut those forests and replace them with plantations (so long as those plantations meet certain requirements, see *'what are kyoto forests?'*). What 'temporarily' means is not defined: as long as there is some promise to plant trees again it is not considered deforestation.

This loophole in the definition of 'forests' will have even more significant implications if the 'LULUCF rules' are applied to developing countries where the pressure to replace forests with plantations of trees such as eucalypt and oil palm is already intense. Using the current definition, this does not count as deforestation.

As well as including all kinds of unnatural 'forests', the UNFCCC's definition of forests sets the number of trees that need to be present at a very low level. This can also be used to justify deforestation: logging corporations can remove most of the trees in a forest, and it will not count as 'deforestation.' However, the damage to the forest itself can be so high that the forest will be unable to recover.

The definitions and rules adopted under the Kyoto Protocol also make a distinction between 'human induced' and 'non-human induced' deforestation and reforestation. On the one hand, this means that if a country can claim a forest was burnt or otherwise lost due to natural causes, it does not have to account for that deforestation. The fact that climate change itself is leading to increased droughts and more frequent forest fires is not taken into account either.

On the other hand, if a forest is in the process of recovering naturally, it is not considered as 'reforestation' and cannot be taken into account. This provides a perverse incentive for countries to clear areas in which forests have started to recover (but where the trees are not yet high enough to be considered a forest), and to plant monocultures or non-native trees instead.

As a result of this commercial approach to forests, the replacement of natural forests by tree plantations is defined in most countries as 'sustainable forest management' or 'SFM'. SFM can include subsidies to commercial logging operations in old-growth forests, Indigenous Peoples' territories or in villagers' community forests. Timber from tree plantations is even certified under labels such as that awarded by the Forest Stewardship Council (FSC), and is widely sold as 'sustainable timber'.

As the debate about forests intensifies within the climate change negotiations, some countries are also actively trying to take advantage of the climate change negotiations to ensure that they can take into account the positive effects of tree planting while not being responsible for the negative effects of deforestation.



*FSC Certified Sustainable Forest Management in Ireland
photo: Wally Menne, the Timberwatch Coalition*

What is REDD?

Because deforestation is a major source of greenhouse gas emissions, governments see curbing deforestation as a 'cheap' way of reducing greenhouse gas emissions and stabilizing the concentration of CO₂ in the atmosphere quite quickly. In particular, they are now discussing a proposal on Reducing Emissions from Deforestation (and possibly degradation) in Developing Countries, known as REDD.

The basic idea underlying REDD is to create a positive incentive for developing countries with tropical forests to reduce deforestation rates, by rewarding them financially for doing so. Governments agreed to consider REDD further in 2005, after 'Compensated Reduction' was formally proposed by Papua New Guinea and Costa Rica, on behalf of a group of countries now known as the Coalition for Rainforest Nations (CfRN).

There is a great deal of enthusiasm for REDD amongst governments, and some parts of civil society. This is partly because of the tens of billions of dollars that researchers have estimated REDD could generate, which many countries, companies and communities hope they might benefit from.

REDD is also seen by some industrialized countries and US-based NGOs as a way of bringing key developing countries to the climate change negotiation 'table', as REDD would be one of the so-called 'nationally appropriate mitigation actions' (NAMAs) that developing countries could commit to.

REDD is also being promoted as a win-win-win option, with so-called 'co-benefits': many argue that as well as helping to mitigate climate change, REDD could also contribute to alleviating poverty, protecting biodiversity and conserving watersheds. However, whether or not REDD will really generate this wide range of positive outcomes depends on the way in which REDD funds are sourced, managed and distributed, and whether some major technical difficulties are solved.

Problems Implementing REDD

There are a number of so-called 'methodological' problems with the REDD approach to deforestation, although governments are attempting to overcome at least some of these. The most immediate and practical concern is that it is likely to be both expensive and technically difficult to measure whether countries are successfully reducing their rates of deforestation, whether through satellite imaging or



on-the-ground checking or verification.¹

Some countries are now proposing a so-called 'conservative' approach to these uncertainties, meaning that most of 'uncertain' emission reductions would not be taken into account. This would be good from the point of view of ensuring there are no false emission reductions² but it would also mean that countries and communities that do not possess the complicated technologies needed to count the carbon in their forests would get much less funding than countries and communities that do possess those technologies.

Another fundamental question is whether a REDD project in one area will lead to increased pressure upon forests in other areas. This perverse effect is called 'leakage'. Even if a strategy to reduce deforestation covered an entire country (a so-called 'national level approach') deforesting activities might be shifting to countries that are not participating in REDD. So even if the project or the national strategy is successful, the result for the global climate could still be minimal or even negative, due to deforestation triggered in other countries.

A further dilemma currently under discussion is how (and indeed whether) to establish so-called 'baselines' against which to measure deforestation rates. Setting a 'baseline' implies determining the 'normal' deforestation rate – deciding what would have happened in a so-called 'business as usual' situation without projects or a national strategy to reduce deforestation. Simply stated, one can only calculate how much deforestation has been reduced by a project or strategy if one can find out how much deforestation would have taken place without that project or strategy.

But how can we really predict what would have happened without the project or strategy? As countries or project managers are compensated for 'reducing' their deforestation it is attractive for them to pretend deforestation would have been really high in the absence of the project or strategy. This might even trigger countries to build extra roads into a forest, for example, so that there is more pressure on those forests, and thus more reason to claim 'compensation' for not deforesting.

An additional complication is the so-called 'equity' aspect: those countries, Indigenous Peoples and communities that have effectively implemented the UNFCCC commitment to 'promote' the reduction of deforestation, and the many other international agreements that ask countries to reduce forest loss, or those which never caused a lot of deforestation in the first place, are not able to reduce their deforestation. Thus, Indigenous Peoples, women, and communities who have always used and managed their forests in a sustainable manner, could lose out on payments to 'reduce' deforestation. The same is true for many African countries, or countries like Surinam and Costa Rica, which have - intentionally or not - succeeded in preventing or halting deforestation in their countries.

Some of these countries are now proposing to measure existing 'standing' carbon stocks (i.e. trees). India favours this approach, for example, and has proposed a 'Compensated Conservation' mechanism along these lines. However, conservation of existing forests that would have been conserved anyhow does not reduce emissions. So the payments for such conservation initiatives will probably be much lower than the payments received by countries that can significantly reduce their deforestation – even though they have done little or nothing to halt deforestation so far.

A further problem arises from the definition of forests used by the UNFCCC (see *'forests and the kyoto protocol'*). Reforestation and afforestation, as defined by the Kyoto Protocol, include the establishment of monoculture tree plantations. But plantations are not forests: as long as plantations are included, there is a very real risk that REDD will be used to fund the expansion of plantations, even though it is now recognized that plantations store less than 20% of the carbon that intact natural forests do and normally trigger substantial emissions of carbon from the soil and vegetation destroyed during their establishment.

¹ It is precisely because of this that the emissions from 'Land use, Land Use Change and Forestry (LULUCF) – the industrialized countries' version - are currently excluded from some of the most important carbon markets, like the EU's Emissions Trading Scheme.

² Avoiding false reductions is often referred to as 'safeguarding the environmental integrity of the climate regime'.



The replacement of forests by tree plantations could even *increase* due to new proposals from countries proposing to calculate ‘net’ deforestation rates. This would enable them to allow logging and agricultural expansion into the forest in some areas, and compensating for it by planting trees in grasslands and other areas without forest (whilst profiting from both). Zero ‘net’ deforestation is therefore *not* the same as stopping deforestation.

‘REDD Plus’

Partly due to the dilemmas sketched out above, UNFCCC negotiators have recently started to use the term ‘REDD plus’ (or ‘REDD+’). REDD plus’ is used to refer to a very broad range of land uses and land use changes in developing countries, that either reduce emissions of CO₂ from ‘carbon sources’, or increase so-called removals of CO₂ from the atmosphere into ‘carbon sinks’. This broad interpretation could be used to include the conservation of existing old growth forests, but it could *also* be used to promote the ‘enhancement of carbon stocks,’ which is shorthand for a range of measures that includes the massive expansion of monoculture tree plantations based on the LULUCF definition of forests (see *‘forests and the kyoto protocol’*).

This definition of ‘REDD plus’ could even be used to promote the use and expansion of risky untested technologies including genetically-engineered trees and so-called ‘biochar’.³

The potential consequences of REDD have been recognized by Bolivia, which argues that eligibility for ‘REDD plus’ finance should be dependent on a number of criteria, addressing the underlying causes of forest loss, guaranteeing lasting protection of natural forests, excluding industrial-scale logging and the conversion of natural forests to plantations, and ensuring the full and effective participation of forest-dependent Indigenous Peoples and local communities.

Why the Way in Which the ‘Cost’ of REDD is Calculated is so Important

Discussions about financing REDD are at the heart of current negotiations on forests and climate change: many countries and other actors are suggesting that sums in the tens of billions of dollars per annum are needed to reduce deforestation. These figures are often generated by researchers looking at the ‘cost’ of REDD: they also represent the potential financial ‘incentives’ that certain countries are now claiming in return for reducing their emissions from deforestation.

Although it seems like a rather technical debate, the way in which these costs have been calculated is significant. In particular, the numbers can give a false or confusing impression about who is likely to benefit and by how much. For example, researchers have estimated how much money would be lost if deforesting activities like agriculture and logging were reduced. This is often done by looking at the market price of exported commodities such as soy, palm oil or timber. This yields tantalizingly high figures: but these figures are not the same as the income lost by national governments and local communities (which is more accurately calculated by considering income from timber concessions, tax and export tariff revenues, jobs and value-added industries). Such figures are likely to be considerably lower.

Calculating the cost of reducing deforestation by considering the profits that would have been generated, if the land had been used for alternative purposes like soy production or oil palm plantations, might also be counterproductive. Completely stopping or significantly reducing deforestation could come to be seen as being too expensive and therefore unfeasible – even though there are ‘cheaper’ and more effective ways of putting a full stop to deforestation (including moratoria and bans on deforestation).

Should the success of REDD be dependent upon its ability to match the price of various agricultural commodities, or on the price of carbon, it will also depend on the ups and downs of the commodities

³ ‘Biochar’ refers to a technology that aims to convert biomass waste from urban, agricultural and forestry sources into charcoal, a stable and long-lasting form of carbon, releasing bioenergy in the process, and using the charcoal as a soil fertilizer. However, the large-scale production of biochar envisaged by some would require many hundreds of millions of hectares of land being converted for biomass production - primarily in the form of tree plantations - which would in turn have incalculable effects on global food production and biodiversity.



markets, as well as being open to manipulation by speculators. If commodity prices rise, or carbon prices drop, deforestation could increase again.

Market Mechanisms, REDD and Carbon Markets

Governments have a clear preference for developing and implementing measures that minimize inconvenience to, and therefore are not opposed by, industry. Bringing private finance into the picture also means not having to rely so heavily on the public purse. This is obviously attractive for governments, especially now that development and environment ministers are worried about budget cuts because of the economic crisis.

Many governments have therefore chosen to use mechanisms that use the market to drive and finance measures and technologies intended to reduce and adapt to climate change (known respectively as 'mitigation' and 'adaptation' measures). Carbon trading has been and remains central to current climate change negotiations, in spite of the fact that it permits the rich, industrialized North to buy its way out of its emissions reductions commitments; and even though the beneficial outcomes of carbon markets to-date have been very poor, to say the least.

The Kyoto Protocol 'Mechanisms'

The Kyoto Protocol commits a specific list of 38 industrialized (so-called Annex 1) countries to binding reductions in the levels of greenhouse gases they may emit (to an average of 5.2% less than 1990 levels, between 2008 and 2012). These emissions allowances are expressed as 'assigned amount units' or 'AAUs' and countries can trade them with each other. Countries can also buy carbon credits or 'offsets' generated by projects in developing countries through the Clean Development Mechanism (CDM), or engage in shared projects in other countries with emissions reductions targets (known as Joint Implementation (JI)).

The overall idea is that climate change is a global problem, so emissions reductions can occur anywhere with the same result. In theory, trading carbon credits means that the market should ensure that reductions take place wherever it is cheapest. In practice, this approach is riddled with problems. The main one is that carbon trading allows Northern industrialized countries to buy their way out of fulfilling their promises to reduce their greenhouse gas emissions.

The CDM has also failed to deliver. It is complex, slow and cumbersome, and seems to be riddled with fraud: Certified Emission Reduction credits (CERs) have been allocated to many projects that would have taken place anyway, generating windfall profits for the companies involved.

Regional and national carbon trading systems are also beset with the same problem: intense corporate lobbying has led to governments giving away too many (free) permits to companies. The biggest and most well known example of this is the EU's Emissions Trading Scheme (ETS): too many permits were initially given to certain industries, again providing windfall profits for companies who were able to sell their credits or pass the costs onto their customers. This over-allocation (followed by the slump in industrial output because of the global economic crisis) also meant there wasn't as much demand for emissions permits as expected: this in turn led to another slide in the price of carbon and a failure to restrict emissions through the trading mechanism.

Despite the fact that these problems are well known, there are numerous proposals currently on the table to expand these carbon markets in the next phase of the climate change agreement.

REDD and Carbon Markets

There has been an ongoing debate about whether to include emissions from projects designed to reduce deforestation in developing countries in carbon markets. So far this has been resisted, because emissions reductions from reduced deforestation can be unpredictable – hard to measure, and prone to unexpected natural events like forest fire. For this reason, participants in the EU's ETS, for example, cannot (currently) buy this type of credit to help meet their emissions quotas.



However, the idea of integrating REDD into carbon markets to generate financial flows to developing countries is now firmly back on the climate change negotiators' agenda. In fact it has been discussed so much, that many now seem to assume that REDD will definitely be funded through carbon markets. But this is not yet true: there are numerous different proposals, and some countries, like Brazil and Bolivia, are opposed to the idea of linking REDD into carbon trading, particularly because it threatens to transfer sovereignty over natural resources from countries to global capital markets.

Integrating REDD into carbon markets does have a great deal of support however. It is popular with many Southern governments, because aid promised by Northern governments in the past has not been forthcoming: developing countries believe that carbon markets might provide a more generous and predictable source of funding. However, carbon offset markets have proven to be a very unpredictable source of funding in the past due to price hikes and the preference of carbon buyers for a few large projects in countries such as China. At the same time, Northern governments see REDD funded through carbon markets as a means of cutting costs by bringing in private sector funding.

However, it seems that in the rush to develop forest carbon finance policies, the full range of risks associated with using carbon trading and offsetting to fund REDD is not being properly assessed. The focus has generally been on whether sufficient funds can be raised through trading, and whether REDD credits might flood carbon markets, causing the price of carbon credits to crash. But there are other, more serious issues to consider.

Forest Carbon v Fossil Carbon

One key problem is that funding REDD through carbon trading could work to *increase* emissions from fossil fuel and other sources. This is because – from a climate change point of view - forest carbon is quite different from the carbon locked up in underground fossil fuel stores.

CO₂ absorbed by trees is returned to the atmosphere when trees die and rot or timber products decompose. This is part of an 'above ground' carbon cycle which happens over a relatively short period of time. On the other hand, the carbon stored underground in fossil fuels has been locked up there for hundreds of thousands of years and, once released, cannot be returned to those underground stores other than through the same process. Using carbon trading to fund REDD means that the CO₂ emissions 'saved' by reducing deforestation (which would eventually have been reabsorbed by forests anyway) will be used to sanction the continued use of fossil fuels elsewhere, which will increase overall CO₂ emissions to the above-ground carbon cycle.

If the REDD process is 'leaky' and displaces deforestation to other locations, this would compound the problem, permitting continued emissions in the North, *without* compensating reductions occurring in the developing world.

Forests and voluntary carbon markets

Forests are currently excluded from government-to-government 'compliance' crediting mechanisms, although they are included in 'voluntary' carbon trading schemes (projects which allow companies and individuals to voluntarily purchase credits to supposedly compensate for their fossil fuel use).

However, many of these projects have been found to be ineffective, and even fraudulent, and there have been many plantation forestry projects with damaging social and environmental impacts.

Using carbon markets to fund REDD would also mean that REDD funding is un-predictable and unstable and influenced by speculators on commodity markets. In addition the processes could be so complex and have such high transaction costs that only the largest companies would be able to participate.

It is also feared that corruption and poor governance are likely to thrive, partly because it would be hard to verify that emission reductions are real and in addition to what would have happened normally (see '*problems implementing redd*').

Reduced government control over investment in natural resources would also mean that foreign investors are able to make key decisions about forest resources, allowing them to buy up the



'environmental services' provided by the forests, with a view to profiting from them. It would also mean that the cheapest measures to keep trees standing are favored, which could increase the likelihood of environmentally and socially damaging activities, and push liability for failed projects onto local communities.

In general, a market-based approach will tend to focus on large projects that (pretend to) reduce a lot of deforestation or plant a lot of trees, as those would deliver most credits at least cost. Countries, communities, women's groups and Indigenous Peoples that have successfully conserved their forests and want to continue doing so will thus lose out on a REDD market.

Public Funds for REDD

Several major donors have already taken initiatives to set up funds or so-called financial facilities to provide funding for REDD. At this moment, many of these funds claim they are only giving money to countries to 'prepare' for REDD: these funds are called 'readiness' funds.

The idea is that countries can use these grants to develop national REDD strategies, preferably in close consultation with Indigenous Peoples and other rights holders and stakeholders. They can also use these grants to develop systems to monitor their forests, so that they can find out, preferably in a manner that can be verified by some independent actor, whether deforestation and forest degradation is being reduced. It is also proposed to use 'readiness' funds to calculate 'baselines', in order to calculate how much deforestation and forest degradation would have taken place without the REDD projects.

A major problem with these readiness projects is that the Parties to the UNFCCC are still actually negotiating REDD, so it is not yet clear what the rules will be. This is important in relation to baselines, for example: if countries wanted to, they could probably cheat quite easily when developing baselines by pretending deforestation would have been very high in the absence of the REDD-funded strategy.

The two most important international initiatives to finance 'readiness' projects are the UN-REDD mechanism and the World Bank Forest Carbon Partnership Facility.

UN-REDD

UN REDD was established by the three UN agencies that are most involved in the REDD debate: the Food and Agriculture Organization (FAO), the UN Environment Program (UNEP) and the UN Development Program (UNDP). The main donor is the Government of Norway, which was the first donor to commit a significant amount of funding for REDD activities.

The UN organizations claim that they want to support biodiversity conservation and Indigenous participation in the development of national REDD strategies, but whether this actually happens in practice will probably still be very much dependent on the country itself. In some countries, for example, there is a tendency to combine UN-REDD initiatives with existing FAO initiatives that are highly supportive of tree plantations.

The World Bank Forest Carbon Partnership Facility and Forest Investment Program

The World Bank also has a vested interest in the development of REDD since it already manages a number of carbon funds on behalf of industrialized countries: it has so far been successful in its attempts to extend its reach, and has established new carbon funds to finance REDD pilot projects.

The World Bank Forest Carbon Partnership Facility is funded by a large number of different countries, and it has already received proposals (so-called 'R-PIN's') for the development of national REDD strategies from more than 30 countries. The facility claims that it prepares countries to participate in REDD whether it will be financed through carbon trade or not. However, the design of the facility is clearly biased towards supporting a REDD carbon market (see '*market mechanisms, redd and carbon markets*'). Considering the World Bank's expertise and financial interest in administering carbon offsets, a REDD carbon market would be a far more attractive option for the World Bank itself.



The World Bank is also in the process of establishing a Forest Investment Program (FIP), which is supposed to provide significant funding to projects and strategies that address the direct and underlying causes of forest loss. The problem is that some countries are trying to simplify this process by claiming most underlying causes can be addressed by paying forest owners to conserve their forests (often called 'payments for environmental services' or PES). There is a tendency to overlook underlying causes like overconsumption and trade liberalization that are not in line with the interests of the timber sector and large landowners.

It is hoped the Forest Investment Program will respect the right to free prior and informed consent of Indigenous Peoples, and that it will be ensured that investments will not lead to deforestation or forest degradation through industrial logging, or the conversion of forests into tree plantations: but it is not yet certain whether these safeguards will be accepted and respected. Another major problem is that the FIP will mainly provide loans, which will add to the debt burden of developing countries.

A problem with both World Bank initiatives is that they are prejudging the future rules for REDD. It is clear the World Bank is trying to position itself as the main channel for REDD funds, but developing countries have stated that they do not feel the Bank is an appropriate institution, as its decision-making process is dominated by donor countries. The Bank also has a terrible record in the field of forest conservation and climate change, which has led to a lot of skepticism amongst NGOs and IPOs about these initiatives.

A REDD Window in an UNFCCC Fund?

The G77 and China are determined to see climate change finance channelled through a democratic and accountable mechanism within the UNFCCC itself. It has been suggested REDD funding should come from this financial mechanism too. The current interim financial mechanism of the UNFCCC provides significant amounts of funding to forest conservation. However, whether a new mechanism will be established, how it will be funded, how it will be administered and what criteria will be used, is subject to intense negotiations at the moment.

What about People? REDD Winners and Losers

With so much money potentially at stake, the REDD negotiations seem to be more about who might get what, rather than the best way of reducing (let alone stopping) deforestation. There are a range of potential winners and losers, and this applies even if REDD is funded through an international fund, rather than carbon markets (see *'market mechanisms, redd and carbon markets'*).

The simple act of increasing the financial value of standing forests has its own set of problems. REDD is highly likely to exacerbate land grabbing, with governments and companies seeking to exclude communities from their territories – violently or otherwise - without regard for the customary and territorial rights of Indigenous Peoples, in order to reap the financial rewards of REDD.

There are also indications that increasing land values – whether it is because of REDD or the pressure to find more and more land to grow agricultural commodities – may be interfering with land reform programs. REDD may also be used to finance the further expansion of monoculture tree plantations, at the expense of small farmers, local communities and forests.

REDD mechanisms are likely to be extremely complex, which would favor wealthy and/or experienced REDD project managers (see *'engaging with redd'*). Turning forest carbon into a commodity to be bought and sold also discriminates against people, and especially women, who previously had free access to the forest resources they need to raise and care for their families, and who cannot afford to buy forest products or alternatives.

There is also a concern that REDD is deliberately being constructed to exclude Indigenous Peoples' rights (as demonstrated by a heated debate between governments at the Poznan climate change talks in December 2008). There is currently no clear or explicit indication that communities or Indigenous Peoples will benefit from REDD; and Indigenous Peoples, or other groups like women's groups and peasant movements, have been almost completely excluded from REDD policy development. If REDD



continues to be developed along these lines, these groups will have no opportunity to influence REDD agreements and/or participate on an equitable basis in REDD projects, should they materialize.

Experiences with other market mechanisms, such as the Kyoto Protocol's Clean Development Mechanism (CDM) indicate that all these outcomes are not only possible, but probable (see *'Life as Commerce: The impact of market-based conservation on Indigenous Peoples, local communities and women'*).

Nevertheless, REDD is likely to bring substantial rewards for some, and carbon finance companies and other financial institutions have been at the forefront of efforts to establish REDD pilot projects. Indonesia, for example, has several REDD pilot projects already in the pipeline or underway. In the Kampar Peninsula in Riau the Asian pulp and paper firm Asia Pacific Resources International Holdings Limited proposed a REDD-related project. They wanted to surround an area of forest with a ring of acacia and eucalyptus to 'protect' the forest from 'illegal logging' by local communities. However, the establishment of these plantations would involve clearing a significant area of the remaining forest. The local communities have resisted the project, and blocked the waterways that the firm uses to transport logs to its pulp mill further upstream.

Engaging with REDD

Some communities want to try to engage in and benefit from REDD projects, especially since REDD is being promoted as a mechanism that will help to alleviate poverty and protect biodiversity. If your community wants to take part in a REDD project or strategy, then you need to make sure you know your rights and are also aware there are a number of risks, both in relation to REDD and more generally.

Be Aware of the Risks!

Firstly, as things stand at the moment, countries and communities that are not already engaged in unsustainable deforestation may not qualify for REDD incentives. Whether the 'REDD plus' debates resolve this issue remains to be seen (see *'redd plus'*).

It is also important to note that in general, forest-dependent people or biodiversity are not part of 'Kyoto forests': the Kyoto Protocol and the subsequent rules related to forests do not currently include any reference to Indigenous Peoples, biodiversity, the needs and rights of women, social justice or human rights (see *'what are Kyoto forests?'*).

Secondly, communities may have to prove that they 'own' forests in order to profit from them: there may be difficult conflicts over land tenure that need to be resolved before projects can proceed.

Thirdly, because of the uncertainties associated with deforestation projects (because of storms or forest fires, for example) communities managing REDD projects are likely to find themselves asked to take responsibility for the projects' risks and liabilities – this is especially the case if REDD projects are funded by private investors hoping to maximize the profits they can generate through REDD.

Communities who want to establish their own projects are also likely to find that they have to provide the initial finance to cover upfront funding and operational costs until they are able to sell REDD credits at the end of the project period. This may prevent some communities from taking part; and for those who do decide to proceed, the risks could be considerable. If carbon prices are low, for example, or if deforestation has taken place after all, it might not be possible to repay loans that might have been taken out at the start of the project.

Communities may also have to address language barriers and hire or find assistance to deal with the technical complexities involved in establishing, monitoring and verifying REDD projects. There is a strong likelihood that associated technical documents will be inaccessible to local communities without advice from external consultancies.



Know your rights!

It is of utmost importance that you are well aware of your rights, and the rights of your community or People, whenever you are confronted with a REDD project. In many cases, your country's Constitution, and the national laws of your country include many clauses that can be used as tools to defend your rights. The advantage of national laws is that they are legally binding and directly applicable. You can even go to Court if you can make a clear case that your rights as enshrined in national laws are violated.

You may find that there are more progressive clauses regarding your rights than you had expected. In particular, countries which have made the transition to democracy during the past twenty or thirty years often have remarkably progressive Constitutions and national laws. Some of the policy documents of the REDD funding mechanisms might also include important clauses related to your rights, including your right to free prior and informed consent regarding REDD projects and activities.

Seeking professional and reliable legal advice from a national human rights organization or network, or an independent attorney, is always a good idea if you think your rights might be violated by a certain project. Too many projects are allowed to violate the rights of communities and individuals, simply because people were not aware of the existence of national legislation that protected their rights. The national ombudsman office can often be helpful too.

A number of international instruments are relevant for your rights too. In many countries, especially in Latin America, International Treaties are directly applicable as soon as they are ratified by the relevant government institutions (normally the President, the parliament and the senate), which means that their clauses are legally binding.

In other countries International Treaties need to be translated into specific national laws before they become legally binding. However, even if they are not formally legally binding, it is good to be aware of articles in Conventions and other international agreements that might be relevant to your rights. Even though you might not be able to go to Court to defend them legally, referring to certain articles in International Conventions, Declarations or other agreements can be very helpful as a political tool, for example when you write a letter of complaint to a relevant governmental authority.

Two particularly important agreements are the UN Declaration on the Rights of Indigenous Peoples (UNDRIPs) and the UN Convention for the Elimination of All forms of Discrimination Against Women (CEDAW).

Many successful forest conservation experiences can be found on recognized Indigenous lands and territories: their rights over their territories are enshrined in the UN Declaration on the Rights of Indigenous Peoples, which is thus critical to REDD. Some countries, like Bolivia, have already adopted this declaration as binding law. UNDRIPs confirms the right of Indigenous Peoples to participate in decision-making processes regarding REDD policies and projects that may affect their territories. It also confirms their right to free, prior and informed consent regarding REDD projects.

Women play a fundamental role in nurturing forests and trees and other forms of biodiversity management and there is a clear need to ensure the effective enforcement of the UN Convention for the Elimination of All forms of Discrimination Against Women. CEDAW takes into account the particular problems faced by rural women and the significant roles they play in the economic survival of their families, including their work in the non-monetarized sectors, and ensures that rural women have a right to participate in planning at all levels.

Many conservation organizations or donor organizations will feel quite embarrassed when it is publicly stated that they are violating a certain human rights or environmental instrument, even though they might not be legally bound by that instrument. Binding and non-binding instruments can be used to hold private sector business accountable as well. While not always effective, companies often prefer to avoid any media stories that reflect negatively on them.

There are also specific voluntary standards for REDD projects that could be helpful to hold companies



accountable.⁴

All in all, these instruments can be very important tools in advocacy campaigns and other struggles to defend people's rights.

You can find the texts of a number of legally binding and non-legally binding international agreements that can provide useful tools to defend the rights of you and your community or People here: <http://www.globalforestcoalition.org/paginas/view/148>

⁴ See for example : www.climate-standards.org



Conclusions

There a number of aspects of the current REDD proposals that are extremely worrying, both from the point of view of forest-dependent communities and Indigenous Peoples, and for forests themselves. These aspects must be addressed if countries and communities are to be effectively rewarded for conserving their forests.

One main problem is that discussions are focused on *reducing emissions* from deforestation, rather than *stopping* deforestation. These are not the same thing.

Secondly, plantations are not forests. The expansion of these green deserts has severe negative impacts on communities and biodiversity; and data from the Consultative Group on International Agricultural Research (CGIAR) shows that plantations store less than 20% of the carbon that intact old growth forests do. The UNFCCC's definition of forests needs to be changed, to exclude plantations and 'temporarily unstocked' areas: without this change REDD could actually be used to finance the continued replacement of old growth forests with plantations.

Thirdly, there are a number of problems related specifically to the proposal to include forests in carbon markets. Northern countries should not be allowed to continue burning fossil fuels by buying forest carbon credits from projects in developing countries. Using carbon markets has many other drawbacks too: it could mean that REDD funding is un-predictable and unstable and influenced by speculators on commodity markets. An international fund to stop deforestation, administered through the UNFCCC, would be a more acceptable, transparent and accessible way to proceed. Communities would have a better chance of participating in efforts to stop deforestation if they were not pitched into competition with rich investors and carbon finance companies.

In addition REDD processes could be so complex and have such high transaction costs that only the largest companies are able to participate, and corruption and poor governance are likely to thrive.

Finally, it is important to remember that there are many other ways that projects intended to stop deforestation could be financed. For example, funds could be raised by taxing oil consumption and air travel, or switching energy subsidies away from fossil fuels (currently US\$250 billion per year). Bolivia has pointed out that the climate change caused by the North until now has created an ecological debt, which the North should repay to the South. Many of these options would be true win-win options, since they would also, in themselves, work to reduce greenhouse gas emissions.

Such funding should subsequently be invested in national programs and infrastructure that directly support rights-based, community-driven forms of forest conservation, sustainable management, natural regeneration and ecosystem restoration, such as community-based forest restoration.



Glossary

You can find the UNFCCC glossary here:

http://unfccc.int/essential_background/glossary/items/3666.php

AAU	Assigned Amount Unit, under Kyoto Protocol
Annex I	UNFCCC list of industrialized countries limiting emissions
CDM	Kyoto Protocol's Clean Development Mechanism
CEDAW	Convention for the Elimination of All forms of Discrimination Against Women
CER	Certified Emission Reduction credits
CfRN	Coalition for Rainforest Nations
CFU	World Bank Carbon Finance Unit (www.carbonfinance.org)
CGIAR	Consultative Group on International Agricultural Research
CIFs	World Bank Climate Investment Funds
CO ₂	Carbon dioxide, a greenhouse gas
EU ETS	European Union Emissions Trading Scheme
FAO	UN Food and Agriculture Organization
FCPF	World Bank Forest Carbon Partnership Facility
FIP	World Bank Forest Investment Program
FSC	Forest Stewardship Council
GHG	Greenhouse gas
IPCC	Intergovernmental Panel on Climate Change
JI	Joint Implementation
LULUCF	Land Use, Land Use Change and Forestry
NAMA	Nationally Appropriate Mitigation Actions
PCF	World Bank's Prototype Carbon Fund
PES	Payments for Environmental Services
REDD	Reducing Emissions from Deforestation and Forest Degradation in Developing countries
R-PIN	World Bank Readiness Plan Idea Note
SFM	Sustainable Forest Management
UNFCCC	United Nations Framework Convention on Climate Change
UNDRIPs	United Nations Declaration on the Rights of Indigenous Peoples



Further Reading

Much of the information and references in this primer can be found in the following key documents:

Forests in a Changing Climate: will forests' role in regulating the global climate be hindered by climate change? Friends of the Earth International, December 2008,
<http://www.foei.org/en/publications/pdfs/04-foei-forest-climate-english>

Life as Commerce: The impact of market-based conservation on Indigenous Peoples, local communities and women, Global Forest Coalition, October 2008,
www.globalforestcoalition.org/paginas/view/33

REDD myths; a critical review of proposed mechanisms to reduce emissions from deforestation and degradation in developing countries, Friends of the Earth International, December 2008,
<http://www.foei.org/en/publications>

GFC Life as Commerce Tool kit, <http://www.globalforestcoalition.org/paginas/view/121>

The Hottest REDD Issues: Rights, Equity, Development, Deforestation and Governance by Indigenous Peoples and Local Communities, Global Forest Coalition and the IUCN Commission on Environmental, Economic and Social Policy, December 2008
<http://www.globalforestcoalition.org/img/userpics/File/publications/Hottest-REDD-Issues.pdf>

REDD Monitor: www.redd-monitor.org

Credits

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Design Yolanda Sikking

This publication was made possible with the generous support of Swedbio and the Dutch Ministry of Foreign Affairs. The views expressed in this publication do not necessarily reflect the views of our donors.

Citation:

Forests and Climate Change: An Introduction to the Role of Forests in the UN Climate Change Negotiations, by the Global Forest Coalition, May 2009.

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Photos cover: Forest in Costa Rica. Photo: Alejandra Porras and Mariana Porras. Temperate rainforest, British Columbia. Photo Larry McCullough. Mby'a Guarani community in Paraguay meeting to discuss payments for environmental services. Photo: Miguel Lovera. Eucalyptus plantations in South Africa. Photo Wally Menne, Timberwatch Coalition.

Photo rear: Kaptai National Park, a semi evergreen forest in the southeast of Bangladesh. Photo: Suprio Chakma.

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May 2009

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