

SPINNING REDD+ INTO GOLD?

Rumpelstilzchen

Germany

Dear reader, the Oxford Dictionary describes a fairy story as a tale that is “magical, idealized, or extremely happy” – but also as “a fabricated story, especially one intended to deceive”. Fairy stories are used to convince others that all will end well, often for those that are honest or brave or just plain lucky. Fables are a similar kind of story, containing more explicit moral messages; they are used to instill particular ways of behaving in children and others. If REDD+ were to be published as a book, it could well be depicted as a collection of modern fairy stories and fables, designed to lure the unwitting and unwary into the complex world of REDD+, as this series of briefings shows...



*“We do not really mean, we do not really mean that what we are about to say is true.
A story, a story; let it come, let it go”¹*



A poor woodcutter tells a king that his daughter can spin gold from nothing more than straw. The king responds by fetching the girl and locking her in a tower with a spinning wheel. Each night for three nights he demands that she spin gold from straw. If she fails she will be executed. Desperate for a solution she does a deal with an imp called Rumpelstilzchen, who helps her produce the gold each night, but only in return for handing her first born over to him. The king marries the girl and they have a baby boy, but Rumpelstilzchen comes to fetch him. Eventually, however, the new queen escapes from the disastrous deal by successfully calling Rumpelstilzchen by his name. It was a narrow escape, she was only able to do this because a huntsman had overheard Rumpelstilzchen singing his name to himself in the woods.

*“This is my story which I have related. If it be sweet,
or if it be not sweet, take some elsewhere, and let some come back to me”.²*

1. Traditional Ashanti introduction to a story.
2. Traditional Ashanti end to a story.

Don't eat the REDD apple





What is REDD+?

REDD stands for Reducing Emissions from Deforestation and Forest Degradation in Developing Countries. REDD is intended to facilitate the transfer of significant amounts of climate finance from developed to developing countries, in a collaborative effort to protect the world's forests thereby reducing greenhouse gas emissions from those forests. In its current form – 'REDD+' – it also includes measures intended to 'enhance carbon stocks' which means it could be used to fund monoculture tree plantations, even in place of old growth forests.

Is promised REDD gold nothing but a fairy story?

Although developed countries have agreed to REDD+ as part of their climate finance transfer commitment (UNFCCC, 2010:IV), and are busily engaged in a discussion about transfers of tens of billions of dollars per year (UN-REDD, 2010), the promised long-term finance may not materialise. It seems that donor countries are not really planning to provide more than a fraction of such funds from public coffers. The EU, for example, seems to be aiming for some 75% of its overall climate financing to come from carbon markets, auctioning emissions permits, and other private sources (euractiv.com, 2011).

A draft paper from the World Bank, entitled 'Mobilizing Climate Finance', prepared for the G20 finance ministers meeting in November 2011, echoed this conclusion, suggesting that, "*the large financial flows required for climate stabilization and adaptation will, in the long run, be mainly private in composition*". (World Bank Group, 2011:5)

Governments are deadlocked on the issue of climate finance generally, and have been unable to reach agreement on the structure of the new Green Climate Fund (GCF) proposed in Cancún, even after four meetings of the Transition Committee dedicated to designing the fund in the run up to COP17 in Durban. One particular point of disagreement has been the proposal to create a special facility for private finance within the GCF, which could channel climate finance away from developing countries directly into the hands of private companies. There is also disagreement about developed countries' insistence on including instruments such as loan guarantees and joint equity with companies as a means of 'leveraging' private finance (Khor, 2011).

But private sources could fail to deliver. It is quite possible that carbon markets will fail, meaning that they are not there to provide climate finance. Carbon markets are partly driven by the existence of binding emissions limits, but industrialised countries are busy wriggling their way out of the commitments they already agreed to under the Kyoto Protocol.³ The World Bank has already asked for public funds to be diverted to prop up faltering carbon markets (World Bank Group, 2011:28).

There is also a risk that REDD+ financing linked to carbon markets could contribute to

3. A cap on emissions by industrialised countries creates demand for emissions permits, which helps to drive the carbon market. Since the future of the Kyoto Protocol is now in question both the supply of and demand for carbon credits is shrinking. For an explanation see policymic.com (2011).





another subprime mortgage-style crisis (Transparency International, 2011:338). Carbon credits are effectively derivatives, because the deals depend on the commodity being transferred to the buyer at some point in the future. But these derivatives are risky because of the impermanence of forests, and the need to rely on potentially dishonest agents to verify that the commodity (in fact an invisible reduction in emissions) actually exists (Transparency International, 2011:340). This has in turn led to the promotion of 'securitisation' as a means of generating long-term forest finance. This essentially means that risky assets can be pooled and transferred to another legal entity, which then issues forest-backed bonds (Forum for the Future & Enviromarket, 2007:9). However, whilst this may look like a way of generating finance to protect forests, it is also the same process by which the US subprime housing market triggered a financial crisis – buyers held complex assets without being aware of the associated risks and the possibility that their assets were worth much less than they thought (Chan, 2009).

Is REDD+'s price too great to pay?

REDD+ has been attractively portrayed as a win-win solution that will help the global climate and help the world's poor at the same time. But the desire to actually have such an attractive option on the table seems to be preventing governments, economists and others from effectively addressing REDD+'s potential negative impacts, both in terms of whether it actually works, and with respect to its impacts on people currently depending on those forests.

Changing the value of standing forests makes them more attractive to private investors; this is after all the point of REDD+. But the flip side of the coin is that this involves commodifying and privatising even more of the world's forests, and gives a strong incentive to those investors and governments that already own large tracts of forest to evict indigenous peoples and local communities from their traditional homelands. This could extend to forests in inaccessible places that were not previously of interest to loggers or agribusiness. REDD+ could also lead to further land-grabbing to establish monoculture plantations.

A key issue is land tenure. Whilst some countries may clarify land tenure, the extent to which countries protect the rights of their indigenous peoples varies enormously. Some countries have legislation in place to protect indigenous peoples' rights, including in relation to forest biodiversity, although the extent to which such laws are implemented is variable. Others continue to violate or condone the violation of the rights of indigenous peoples, which often involves extreme violence: these countries are most unlikely to implement REDD+ in a way that benefits indigenous peoples (GFC, 2010).

Communities hoping to engage in REDD+ projects may also find that they are locked into contracts in which they shoulder most of the risk, without being able to reap the rewards for many years (FoEI, 2008:20). This has certainly happened in similar projects, such as the FACE PROFAFOR project in Ecuador, where communities found themselves locked into maintenance contracts for 15 to 30 years, but eventually had to cover upfront costs themselves because the project's incentives were insufficient (Acción Ecológica, 2005).



Conclusion

It may be that forest carbon simply can't be spun into gold. It certainly seems like the end results could be quite different from the outcomes many would-be participants are hoping for.

In particular, even though some REDD 'readiness' projects have been financed and are underway, there are concerns that REDD+ will fail to generate significant transfers of climate finance over the long-term, primarily because it seems that developed countries are aiming for the majority of climate finance to come from private sources. REDD+ may also turn out to be a cunning Rumpelstilzchen-style deal, offering possible riches and happiness but at a great price, ushering in a new era of land-grabbing and conflict. There is also a risk that any form of REDD+ financed through carbon markets and 'ecosecuritisation' could contribute to another subprime mortgage-style crisis.

REDD+ may also prove to be an unnecessarily expensive solution to the problem of the world's forests, since there are other, cheaper and more effective mechanisms for reducing deforestation, including community forest management and moratoria on forest conversion. If REDD+ fails though, the ultimate price could be paid: we may simply run out of time to address climate change.

References

- Acción Ecológica (2005). Carbon Sink Plantations in the Ecuadorian Andes, <http://www.wrm.org.uy/>
- Chan (2009). Subprime Carbon?: Re-thinking the World's Largest New Derivatives Market, Michelle Chan, Friends of the Earth US, <http://www.foe.org/subprimecarbon>
- Euractive.com (2011). Brussels says climate fund must go 'private', <http://www.euractiv.com/climate-environment/brussels-climate-fund-go-private-news-503974>
- FoEI (2008). REDD Myths, <http://www.foei.org/en/resources/publications/pdfs/2008/redd-myths/view>
- GFC (2010). REDD Realities, <http://www.globalforestcoalition.org/wp-content/uploads/2010/10/REDD-Realities.pdf>
- Khor (2011). Setback in designing Green Climate Fund, Martin Khor, South Centre, <http://www.twinside.org.sg/title2/climate/info.service/2011/climate20111003.htm>
- Policymic.com (2011). Business Climate Darkens for Carbon Trading, Tom Ferguson, <http://www.policymic.com/articles/business-climate-darkens-for-carbon-trading>
- Transparency (2011). Global Corruption Report: Climate Change, http://www.transparency.org/publications/gcr/gcr_climate_change2
- UNFCCC (2010). The Cancún Agreements, Decision 1/CP.1, <http://unfccc.int/resource/docs/2010/cop16/eng/07a01.pdf#page=2>
- UN-REDD (2010). About REDD+ webpage, as at 11 November 2011, www.un-redd.org/AboutREDD/tabid/582/Default.aspx
- World Bank Group (2011). Confidential draft on Mobilizing Climate Finance, paper drafted for November 2011 G20 Finance Ministers' meeting, <http://www.greeninvestmentservices.com/documents/g20-climate-finance.pdf>

