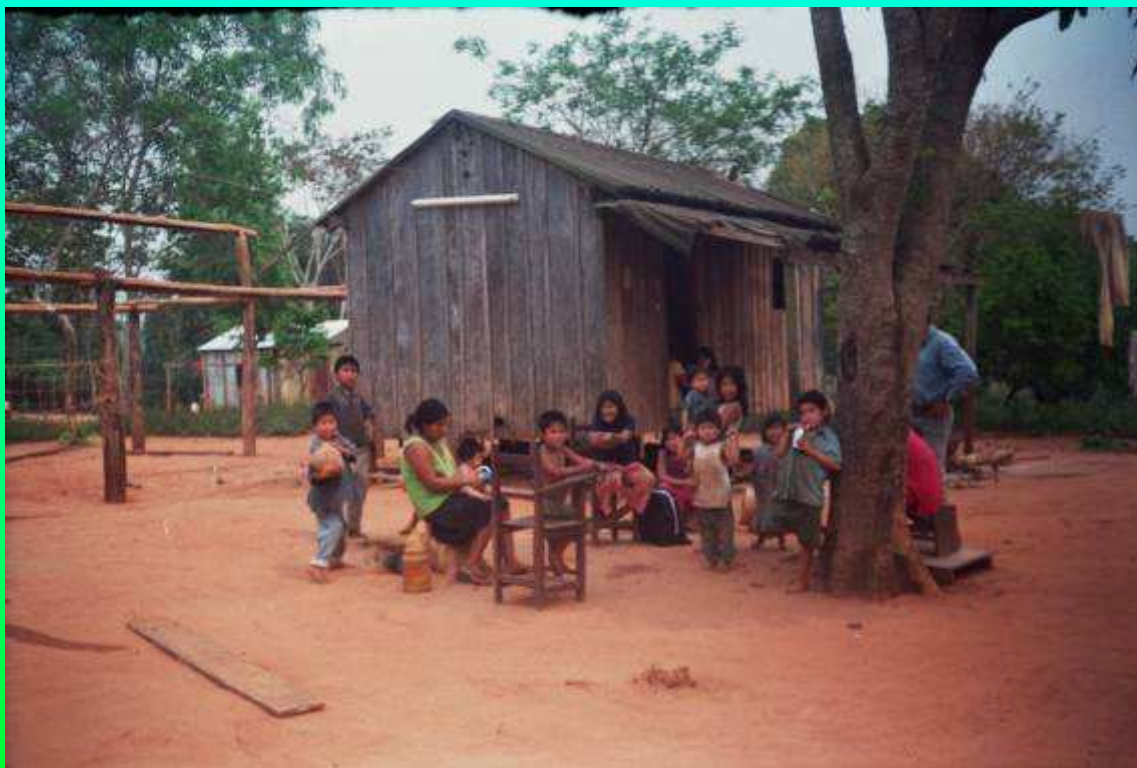


Incentives to Reduce Emissions from Deforestation in Developing Countries (REDD) and their impacts on Indigenous Peoples, local communities and women



A neoliberal market-based approach to biodiversity conservation:

- Give biodiversity and other environmental values marketable asset prices and let markets do their work
- Pay countries or communities for “the environmental service” of not deforesting, and that will reduce deforestation



Payment for Environmental Services (PES) schemes

- Area-based
(reducing deforestation, eco-tourism, watershed services)
- Use-restricting
(avoided deforestation)
- Public schemes
(taxes, subsidies, Integrated Conservation and Development Projects)
- Product-based
(certification, gene trade)
- Human-induced change
(reforestation)
- Private schemes
(market-based)

“Markets will be effective and equitable”:



- *If* all values are properly accounted for
- *If* they are equitably distributed to the proper “owners”
- *If* the market is properly regulated
- *If* those regulations are effectively enforced
- *If* there is an equal level playing field so that all biodiversity consumers and producers can participate equitably

So what do we do on planet earth?



The Inconvenient Truth about Payments for Environmental Services' systems:

- **Markets cannot work without privatization. Do we need to privatize and put a price on all elements of biodiversity to make markets work? Is this feasible? Equitable? Ethical? Who has the right to own biodiversity? Is biodiversity a “BioNullius” to be colonized?**
- **The Costa Rican experience is considered a success story, but their carbon and genetic resources markets only developed as a result of government intervention, donor aid and other governmental support. As soon as they were left on their own, they proved economically unviable.**
- **Moreover, the success of the Costa Rican PES scheme might have been the result of the fact that deforestation was illegal. The efficiency of PES as a conservation instrument can be disputed: Command and control measures like deforestation moratoria have proven to be more successful (86% reduction in Paraguay between May 2004 and May 2005).**
- **Do we need to pay people to comply with the law?**

The Challenge of Proper Valuation:



- Uncertainty about carbon sequestered by forests: Russia's forests' carbon interaction with the atmosphere in 1990 could be anything between 155 million tonne minus and 1209 million tonne plus (IIASA).
- Carbon errors as large as 500 percent (in China: 89%, in Dutch pine plantations: 49%)

Additional efforts? The challenge of establishing proper base-lines and verification

- Hard to define what would have happened in business-as-usual situation.
- There is an incentive for “independent” consultancy firms to manipulate base-lines and/or be lenient, as they earn a living from Market-based schemes like carbon trade and certification (e.g. Det Norske Veritas verifies PCF projects of regular clients like Plantar)
- Leakage is inherent to forest-related carbon projects



Proper accounting only includes “human-induced change” (human efforts), but letting forests grow back naturally might be preferable



Quality projects?

- No participation of IPOs in international and national policy debates or project designs = no references to Indigenous rights
- World Bank and countries refer to Forest Stewardship Council (FSC) certification as possible guarantee for sustainable projects

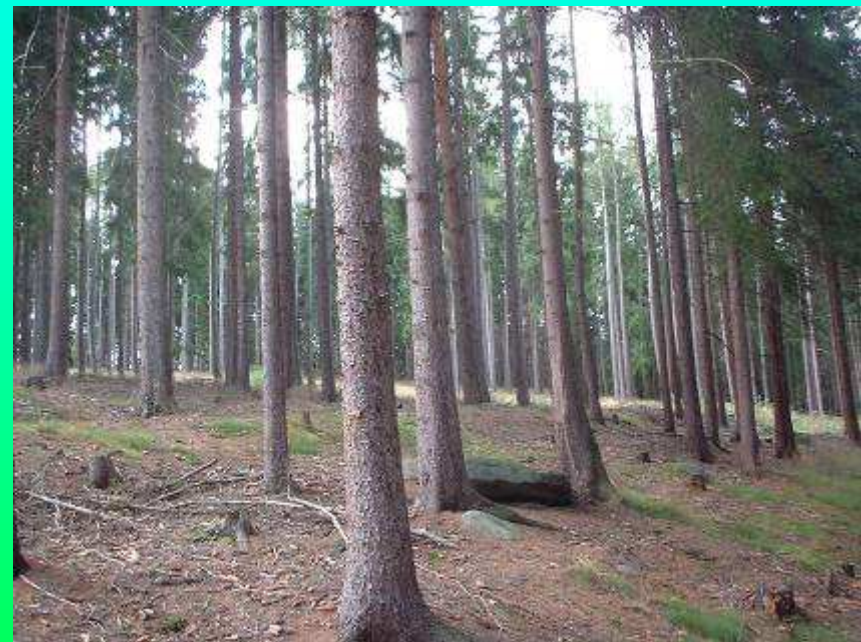


A certified “forest”



Existing LULUCF (Land Use, Land Use change and Forestry)

- In North: Deforestation, reforestation and afforestation taken into account in Kyoto targets
- They can trade temporary “credits”, including through Clean Development Mechanism (CDM)
- There are very few CDM forestry projects as temporary credits are not attractive
- And EU has until now excluded them
- There are many voluntary projects called carbon offsets, but most are heavily subsidized flagship projects



Forests and Trees at COP13

- Proposal to make it easier to include plantations by increasing limit of small-scale forestation projects in CDM. WILL BE DISCUSSED AT: Subsidiary Body on Scientific and Technical Advice (SBSTA), Methodological Issues, AGENDA item 9(b), DOCUMENTS: FCCC/SBSTA/2007/MISC.1 and MISC.19
- Pressure upon EU by Maathai and co to allow carbon trade in forests and plantations
- Better reporting. WILL BE DISCUSSED AT SBSTA, Methodological Issues, AGENDA item 9 (d). DOCUMENTS: MISC. 28 and INF. 2)
- Inclusion of “incentives” for reducing emissions from deforestation (and perhaps forest degradation) in developing countries (REDD) in post 2012 regime, with possible “early action”. WILL BE DISCUSSED at: SBSTA, AGENDA item 5. DOCUMENTS: FCCC/SBSTA/2007/MISC.14, and [FCCC/SBSTA/2007/4](#)
- And COP/MOP, AGENDA item 7, DOCUMENTS i.a. [FCCC/KP/CMP/2007/MISC.1](#)

Proposals to “compensate” countries for reducing deforestation

- Idea developed by Prime Minister of PNG who wanted to be compensated for complying with conditions of a World Bank Loan to the PNG forestry sector
- Those conditions related to good governance: addressing illegal logging and corruption.....
- They found an unlikely ally in Costa Rica, which still tries to sell its PES scheme at the international carbon market as this expensive scheme is chronically underfunded.
- And other forest countries that were interested in the billions World Bank, FAO, UNEP and IUCN experts promised them

Three main proposals



- Public fund (Brazil, India, Tuvalu)
- Include nation-wide reduction commitments in carbon trade (Rainforest coalition)
- Include projects in carbon trade (most South American countries)

Arguments of countries

- Paraguay, Colombia and Chile: “flexible options”, “private investment” in projects or countries
- Rainforest Coalition: “project-based activities were rejected for serious methodological concerns related to additionality, permanence and leakage. These methodological impediments remain.”
- EU: “Markets can play a role, but more study needed. Maybe combination.”
- Tuvalu: Leakage unavoidable if consumption of timber, agrofuels and other products that impact on forests is not reduced.
- India: We need to take into account reforestation and “compensated conservation”
- Congo Basin: Compensation for avoided deforestation
- Indonesia and others: already build up credits from 2010, to be sold in a post-2012 framework, but that framework should include deeper emission cuts so as not to disturb current CDM projects

Two Big “Carbon Markets benefit Forests” lies

- “Forests are not part of the climate regime”
- “Financing reducing deforestation through carbon markets will contribute to mitigating climate change”
- The 1992 Climate Convention obliges all countries to reduce deforestation and obliges developed countries to give new and additional funding for helping developing countries to do that. Northern forests are in Kyoto.
- Per definition, reducing deforestation through carbon finance will not contribute to mitigating climate change as one extra ton carbon will be emitted for every ton saved

Additional Lies

- “Leakage (deforestation shifting to another area or country) can be addressed through proper selection, verification or other “mechanisms”
- “CDM experience was positive”
- We need stable and predictable resources, so forests should be included in carbon markets
- “We need to start pilot projects”
- As long as demand for products that impact upon forests is unchallenged, there will always be “leakage”
- CDM has proven project-based forest offsets are a disaster-nobody is interested in forests or Indigenous Peoples, carbon traders prefer to invest in large Chinese factories or tree plantations
- Per definition, carbon markets will provide an unstable, unpredictable and inequitable source of funding
- There are MILLIONS of existing projects to reduce deforestation, some paid with new and additional financing. We don’t want more human guinea pigs....

Crucial Convenient Lie: “Carbon Markets will Benefit Indigenous Peoples”

- Lack of large projects, marketing skills, language skills
- Most carbon credits will come from reducing deforestation: communities that don't destroy their forest cannot reduce their deforestation
- (Same is true for countries)



Efficient compensation systems are not equitable

- Country-wide “compensation” for not converting half of Brazilian forests into soy plantations would cost approximately 260 billion USD per year (175 M hectares X 1500 per year) = approx. 65 billion ton emissions extra if carbon offset money
- So countries will probably only “compensate” those actors that threaten to deforest, and only in those cases where it is affordable (e.g. compensating soy is too expensive)
- Indigenous communities do not deforest at a massive scale, so are unlikely to get compensation

World Bank Forest Carbon Partnership Facility

- “To reduce the costs of emissions reductions for industrialized countries”
- Making countries “ready” for the carbon market plus “pilot projects”
- Priority for countries that have high deforestation rates or threaten to deforest
- Uses public money to promote markets
- No participation of, and respect for rights of Indigenous Peoples
- Previous WB investments in forests and non-forest sectors have lead to massive deforestation and other negative impacts on Indigenous Peoples
- This proposal has a large impact on the debate

REDD: A major incentive to increase deforestation until 2012

- The higher your deforestation rates, the more credits you can claim for reducing them after 2012
- The World Bank Forest Carbon Partnership Facility prioritizes countries which have high deforestation rates OR threaten to cut their forest



The Big Forest Blackmail:

- The Government of DRC has already told the World Bank that they want full compensation for every hectare of rainforest they won't cut
- Other countries are currently calculating what is more profitable: agrofuels or REDD compensation



Paraguayan PES Experiment



- The Law on the Valuation and Retribution of Environmental Services, adopted in September 2006. Artificial Regulation adopted in 2007, real regulation being elaborated at the moment
- The Secretariat for the Environment has to annually value all Paraguayan environmental services
- Promotes biodiversity offsets for, amongst others, soy expansion. Forest conversion was already illegal since 2004 in Eastern Paraguay
- All credits can be freely traded in international carbon market: strong Paraguayan interest to promote “flexibility”

Main problems with the Paraguayan PES Law 3001/06

- The law stipulates that **all** owners of **land** and its natural components that generate environmental services **will have a right** to corresponding compensation for the provided services.
- There has been no calculation of the total budget this would require (compensation for soy: 1500 USD X 700.000 hectares = approx. 1.05 billion USD per year for Eastern Paraguay alone)
- Most of the funding will come from biodiversity offsets: This provides a major incentive for the (governmental and non-governmental) conservation sector to allow and even promote destructive projects. Including CO2 emissions...
- Specifically, soy growers and other landholders who have conserved less than the legally required 25% of forest cover can now easily compensate this by buying environmental services' certificates. Hence there is no need to restore a qualitatively and quantitatively ideal forest cover anymore. This matches the Basel criteria for "responsible soy", which allow for forest conversion by large landowners provided a conservation project "compensates" it.

Impacts of biodiversity offsets on Mbya Guarani communities in San Rafael

Impacts of soy:

- Freshwater resources are dangerously contaminated due to the surrounding soy plantations
- Due to increased land pressure there are regular invasions: The forest of the Arroyo Claro community was cut by invading farmers

Impacts of private reserves:

- 90% of Indigenous lands have been privatized
- Hunting areas have been severely restricted, leading to overexploitation and malnutrition
- Current land rights claims are being frustrated by the perspective of PES for private reserve owners
- The property of these private reserves is disputed by the Mbya, who consider the entire area as their “tekoha”, which they have always managed sustainably.



Could Mbya communities benefit from PES?



Mbya Guarani might be able to claim PES themselves, but:

- Language barrier and lack of legal and marketing skills
- The requirement to obtain an Environmental Impact Assessment will also inhibit the participation of poor landholders in the system, as this is a very costly process.
- Changing the currently mainly non-monetary economy into a monetary one will devastate many cultural environmental values and traditions
- Money will not buy them uncontaminated water - the distances to paid services are too large
- Women are likely to suffer most, as they are underpaid in formal labour and responsible for providing clean water and other non-monetary services for the family

Indigenous environmental refugees (climate change, soy expansion): Mbya Guarani people on the streets of Asunción



Additional problems with the Paraguayan PES law

- Paraguay has the most inequitable distribution of land on earth: The overwhelming majority of funds will go to large landholders.
- The law will frustrate land reform programs and ongoing land rights claims of Indigenous Peoples as it will increase the value of land.
- Specifically, it will stimulate the establishment of false private reserves that are set up to criminalize land occupations.
- The system will most likely be subject to serious governance problems: It is likely that politically influential groups will have far better access to the funds than politically marginal groups like Indigenous Peoples and small farmers: Bad governance and market-based conservation mechanisms are a risky combination



Impacts PES on Indigenous Peoples and other economically marginalized groups like women

- They loose out as providers: language barriers, lack of legal and marketing skills, no economies of scale and they don't deforest. The market is totally buyer-driven.
- They loose out as buyers: they suffer most, so are they supposed to pay most according to the polluted pays principle?
- They loose out through indirect impacts, especially on land reform and land rights claims, and the impacts of the environmental problems these offsets compensate for (soy, climate change)

Do IPs want to remain dependent upon the broker role of NGOs?

These negative impacts can be avoided in strictly regulated initiatives and/or flagship projects.

- There seems consensus that we need to control market-forces through strict regulations and effective enforcement; But why promote markets when they only contribute to biodiversity and the rights of Indigenous peoples if strictly regulated? Markets tend to complicate public governance, not strengthen them.
- The “best PES” schemes are actually conventional subsidy or integrated poverty and development projects. They are often funded with the purpose of promoting carbon markets that benefit Northern consumers.
- In practice the large conservation NGOs have played a broker role to facilitate some flagship projects, but do Indigenous Peoples want to remain dependent upon conservation NGOs?
- These projects will never be country-wide, they will only benefit a limited number of communities that are carefully selected by NGOs or financial institutions (having a Nobel Price laureate as founder helps....)

¿Sovereignty = a right to destroy?



Who wants to include forests in carbon markets?

- Business people want to make money (= more trade)
- Consultancy firms verifying projects want to make money (= more trade)
- Northern countries (Annex 1) want to duck their commitments (= more trade)
- Northern consumers want to feel green when flying to Bali for holiday (= more trade)
- World Bank, UNCTAD and UNDP want to move money around (= more trade)
- The Forestry community (FAO, forestry departments in South and North) want money for forestry (= more trade)
- Southern countries have sort of given up hope on halting climate change so they have decided to go for the money (= more trade)
- Conservation NGOs want more money for forest conservation projects (= more trade)
- An increasing number of Southern NGOs want more money for their forest projects (= more trade)
- Many NGOs are involved in Realpolitik (= more trade, as it is “not realistic” to expect sharp reductions after 2012 when Northern countries are not allowed to use carbon fraud, and nukes, large dams and agrofuels, to achieve them)
- BUT ALL THESE COUNTRIES AND PEOPLE DISAGREE WITH EACH OTHER TOO AS THEY HAVE DIFFERENT INTERESTS!!!!

Meanwhile, long time ago, in 1992,
we agreed that....

- ALL governments would reduce their emissions AND conserve forests (*FCCC Article 4.1 (d)*)
- Developed countries would contribute new and additional financial resources (0.1% GNP) to reward developing countries for the incremental costs of providing global environmental benefits. (Agenda 21)
- ...maybe it is time to implement this agreement?

CUT EMISSIONS AT SOURCE!!!

Need to address underlying causes of forest loss (Tuvalu)

- Economic causes (e.g. agrofuels)
- Institutional causes (lack of law enforcement, corruption)
- Technological causes (e.g. other agriculture)
- Cultural causes (other approach to forests)
- Demographic causes (prevent intrusion of Indigenous lands)



Support sustainable, democratic and well-enforced public governance of biodiversity, including through redirecting perverse incentives, banning deforestation and safeguarding Indigenous rights.

“The majority of areas where we stopped deforestation in Brazil are Indigenous lands” (Adriana Ramos, ISA)



www.globalforestcoalition.org



- ***“Indigenous peoples have the right to determine and develop priorities and strategies for the development or use of their lands or territories and other resources.”***
- ***“States shall consult and cooperate in good faith with the indigenous peoples concerned through their own representative institutions in order to obtain their free and informed consent prior to the approval of any project affecting their lands or territories and other resources, particularly in connection with the development, utilization or exploitation of their mineral, water or other resources.”***
(Article 32 of the UN Declaration on the rights of Indigenous Peoples)