

credit is due

by Ian Swingland



At current deforestation rates, the environmental services of the world's major forests will collapse long before the last tree has been cut or the last hectare cleared. More than a billion of our fellow human beings depend on forests and if they continue to be lost then rainfall patterns, hydrological cycles and soil productivity will be affected in countries that are now major suppliers of rice, grain, sugar, beef and other essential food supplies to the rest of the world.

Emissions of greenhouse gases from the loss and degradation of forests in the developing world are enormous both in scale and impact, representing nearly 20 per cent of the total attributable to all human activities worldwide. This is more than the worldwide emissions from burning natural gas and from all transport around the globe. Moreover, their impact over the next five years will easily offset whatever gains industrialized countries achieve in that same period under the Kyoto Protocol.

By the same token, curbing deforestation is a highly cost-effective way of reducing greenhouse gas emissions. Research has found that at most sites, deforesting activities generated less than \$5 per tonne of CO₂ released, suggesting that avoided deforestation could be more cost effective than other climate change mitigation activities.

The tragedy is that there is every incentive to chop a tree down in the developing tropical regions, or not even plant one, whereas there is every incentive to do the opposite in temperate developed areas! This is far from what I, and many like me, intended when we set out to make the world a better place 40 years ago. The Kyoto Protocol on reducing greenhouse gases that cause climate change was meant to address this, but developing countries were excluded, even though some are amongst the biggest polluters. Pressure groups and others skewed the rules in line with their own prejudices, excluding one of the largest sinks for greenhouse gases — forests — from the regulated carbon trading markets under the Clean Development Mechanism (where developed countries can help developing countries and gain credits for emissions reduction, such as through reforestation projects). And some governments, such as the USA, were not persuaded it would work with the rules as they were eventually agreed.

The World Bank has found that the lack of markets for the national and global environmental services offered by forests has contributed to high rates of deforestation in developing countries. There is currently no mechanism that would compensate countries for the opportunity cost of not deforesting. Plans for establishing one — giving credits for reduced emissions from deforestation and forest degradation in developing countries (REDD) — were promoted at the meeting of the UN Framework Convention on Climate Change (UNFCCC) in Bali last December. With the right policy incentives, mechanisms for encouraging REDD could greatly benefit smallholder farmers, ecosystems, and the global climate.

Scientists and economists working to address climate change are urging the European Parliament and the Council of the European Union to include forest carbon credits in the European Union Emissions Trading Scheme (the EU-ETS) beginning in 2013 and, in particular, expressly to provide for the eventual inclusion of credits for REDD. Nevertheless, the EU Commission has recommended excluding such credits from the EU-ETS in its next phase. It argues that REDD credits cannot be used reliably because they do not demonstrably represent real, verifiable, additional and permanent reductions in emissions. It also contends that the credits, if allowed, would flood the European market deterring real and permanent improvements in the EU's

production and energy infrastructure. But the best available evidence refutes these two arguments.

We now have the scientific and technical tools to measure and monitor reductions in emissions from deforestation. We know enough to establish historical reference scenarios: since the early 1990s, changes in the forest area in developing countries have been measured with confidence from space. Our ability to estimate carbon stocks in particular forests has improved greatly over the last 10 years: we have designed conservative methods to ensure that we minimize the risk of over or under-estimating them to within a margin of error of plus or minus five per cent. And new technologies and approaches are being developed that will further reduce uncertainties. So the technical challenges for monitoring, verifying and quantifying REDD have been, and will continue to be addressed, so that markets can now operate with integrity. Further investment is needed to make these tools readily available to poor countries, but there needs to be an economic incentive for doing so on the required scale.

The proposed REDD mechanisms (as foreshadowed by the Bali decision) will address the problems of leakage and permanence that have plagued the discussion of crediting to date. Reductions in emissions from deforestation — if measured relative to (or close to) a national reference scenario — are, by definition, net of any in-country leakage, the only kind normally considered for purposes of the UNFCCC. And there is nothing inherently impermanent or “temporary” about REDD, so long as the actual reductions in rates of deforestation are real and the countries involved are held to a reference scenario that requires the long-term conservation of forests as a condition of earning credits in the first place. These issues, therefore, provide no rationale for excluding REDD from the EU or any other market system.

There is also no empirical support for the “floodgates” argument. Anyone who predicts that REDD credits will quickly overwhelm the European carbon markets greatly underestimates the challenges facing developing countries. Major national institutional frameworks are required, readiness mechanisms must be developed, and policies and measures effectively implemented on the ground. Moreover, the UNFCCC Parties have agreed that the “rules of the game” will be negotiated before the reduction targets are set, so the targets will reflect whatever cost-control or other flexibility mechanisms are agreed. These will almost certainly provide that only a small proportion of potential credits will be available in any one year, based on historic and predicted deforestation rates. In any case, the EU-ETS could simply cap the inclusion of forest carbon, and REDD in particular, to a specific annual volume (or a percentage of the reduction commitments of affected operators) as is being proposed in the most advanced US legislation. This is entirely within the control of the European Parliament and the Council of Ministers.

Developing countries' active participation in an eventual global climate change regime, consistent with the principle of common but differentiated responsibilities, is essential to achieving the UNFCCC's ultimate objective and has long been EU policy. The exclusion of forest carbon credits — and specifically the failure even to preview the possible inclusion of REDD in the EU-ETS — sends precisely the wrong message. Every incentive must be created now to motivate institutional reforms in developing countries to control and abate deforestation. If we lose the world's forests, we will have lost the fight against climate change — and at the same time reduced the availability of drinking water and access to energy, accelerated the loss of species and ruined the prospect of burgeoning local enterprises. 