Incentives needed before deforestation reduction can be successful

February 3 2014, by Ally Catterick

A new report highlights the need for significant scaling-up of demand to meet the increasing supply of carbon emission reductions from global REDD+ activities.

The report, issued today, looks into the long-term sustainability of activities implemented under the Reducing Emissions from Deforestation and forest Degradation (REDD+) concept, and concludes governments and the private sector need to act to ensure there are sufficient incentives for REDD+ activities, before a truly successful outcome can be achieved.

REDD+ offers financial incentives for developing countries to reduce carbon emissions through protecting and restoring forests. Between 15-25% of global carbon emissions are attributed to deforestation, which is a significant driver of climate change.

The report, compiled by Global Canopy Programme (GCP), the Amazon Environmental Research Institute (IPAM), Fauna & Flora International (FFI) and UNEP Finance Initiative, calls on governments and the private sector to significantly increase the finance available to stimulate demand for emission reductions and meet the supply being generated by REDD+ projects which are already helping reduce deforestation. If action is not taken, there is a genuine risk of REDD+ becoming a failure.

Revealing that current demand for REDD+ emission reductions could account for as little as 3% of the supply between 2015 and 2020, the report explains without further action this could become a missed opportunity in genuinely meeting the challenges of deforestation head on. The risks of doing nothing, it says, are dire.

If global deforestation levels are reduced by 50% by 2020, meeting EU proposed targets, as much as 9,900 metric tonnes (or MtCO2 – the unit emissions are measured in) of emission reductions from forests and land use may be generated between 2015 and 2020. This can be achieved through a combination of measures taken by tropical forest countries, some using domestic resources, and others through REDD+ incentive payments from developed country governments.

Currently, however, the total predicted demand for REDD+ emission reductions for this period stands at around 253 MtCO2, meaning that REDD+ will fail to properly incentivise action to reduce deforestation. Finance available would support less than 3% of the emissions reductions during this period, leaving tropical forest countries to find ways of achieving the remaining 97% of financing needed to

compensate their actions to reduce deforestaion.

If REDD+ is to play a significant role in reducing deforestation in tropical forest countries, it needs to provide more than a tiny fraction of demand for the emission reductions that are causing deforestation and degradation.

Nick Oakes, Finance Programme Manager of Global Canopy Programme said "Reducing emissions from deforestation and degradation between 2015 and 2020 should be a strategic priority for governments, given that emissions from this sector, according to the recent IPCC report, are the second largest."

"However, large-scale demand for REDD+ is expected to materialise only after a global compliance market comes in to existence, under the auspices of UNFCCC, in the year 2020. Right now, however, there needs to be large-scale demand for REDD+ emission reductions before 2020, otherwise a gap will continue to grow between supply and demand."

Ignoring this gap, argue the report's authors, will leave little incentive for tropical forest countries to divert resources towards REDD+ in the period before 2020, or for the private sector to invest in REDD+ projects.

To avoid these risks, the report advocates that donor country governments, forest country governments and public finance institutions work together to provide incentives, finance and technical assistance to fill the gap between the supply and demand for REDD+ emission reductions.

The report outlines several options for generating capital, as well as options for providing the incentives, finance and technical assistance,

such as entering in to contracts to buy REDD+ emission reductions, setting price floors for REDD+ emission reductions or providing concessional loans. It also outlines the possible implementing institutions, such as existing multinational funds (e.g. the FCPF Carbon Fund), national funds administered by tropical forest countries, or bilateral offsetting mechanisms (e.g. Japan's Joint Crediting Mechanism).

More information: The full report is available here: www.globalcanopy.org/

Provided by Fauna & Flora International