

Saving forests? Take a leaf from insurance industry's book

April 18 2012

A group of environmental scientists say a problem-ridden economic model designed to slow deforestation can be improved by applying key concepts from the insurance industry.

REDD (Reduced Emissions from Deforestation and [forest Degradation](#)) is a UN-promoted scheme that allows countries to trade in [carbon credits](#) to keep forests intact. It is mainly targeted at [developing nations](#) where deforestation and exploitation are a major threat.

In a paper [published online](#) in the journal *Conservation Letters*, ecology researchers from Australia and South Africa argue that REDD projects can suffer from three major problems. They have proposed strengthening the scheme by using insurance policies and premiums, creating a new scheme known as iREDD.

"The idea of paying a nation to protect its forests in exchange for [carbon pollution](#) offsets can potentially reduce overall emissions by keeping the trees alive, and ensure a lot of associated [biodiversity](#) gets caught up in the conservation process," says Professor Corey Bradshaw, Director of Ecological Modelling at the University of Adelaide's Environment Institute and a senior author of the paper.

"However, there are three main problems with REDD: these are known as leakage, permanence and additionality."

Leakage - "This occurs because the original forest area that was targeted

for protection under the agreement remains intact, but the deforestation that would have otherwise occurred merely gets shifted to an adjacent forest, so the net effect is the same. It results in biodiversity loss and no emissions reduction," Professor Bradshaw says.

Permanence - "This problem occurs because there is no guarantee that your investment – the forest – remains intact for a sufficient period into the future to account for the carbon being offset."

Additionality - "This a way of describing 'what would have happened anyway'. In other words, if a particular area of forest was never targeted for deforestation, then being paid to maintain it is a false investment because the service was never in any real danger."

Professor Bradshaw and colleagues from James Cook University and the University of Pretoria have suggested using a form of REDD 'insurance policy' (iREDD) to avoid these problems.

iREDD involves the buyer and seller together assessing the risk in a forest conservation project, agreeing on that risk and then purchasing an insurance policy scaled to that risk.

"iREDD can be used to ensure that both the seller and the buyer are protected. In this case, the seller represents those who manage the forests, and the buyer is the company, nation or individual who wishes to buy into the forest for its carbon offset potential.

"In this scheme, everyone wins," Professor Bradshaw says.

"If the sellers fail, then the buyer is compensated and can invest elsewhere. If the sellers do well, they get more money. Most importantly, it increases the probability that atmospheric carbon will be reduced – or at the very least, the rate of [emissions](#) will be slowed – and the forest's

associated biodiversity will remain, protecting thousands of species against local extinction."

Provided by University of Adelaide

Citation: Saving forests? Take a leaf from insurance industry's book (2012, April 18) retrieved 25 April 2024 from <https://phys.org/news/2012-04-forests-leaf-industry.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.