

REDD Financing Challenges

Science, research and education
group

Scope: Principles

- Simplicity
- Stock-flow approach
- Conservation within first D
- SFM within second D
- AR/CDM fully integrated within an inclusive AFOLU mechanism

Carbon plus?

- REDD for carbon only
- Address co-benefits through:
 - Standards, certification
 - Conditionality

Revenue raising: Readiness funds

- ODA and other funds
- No expectation of financial return
- Required to 'define the commodity'
- *No conditionality: Obligation of Annex 1 parties on top of emission reductions
 - Inherent risk of misappropriation
 - DRC and others MUST be involved
 - Part of wider debate on aid and responsibility
 - International guidelines provide framework for in-country disbursement and management of readiness funds – multi-stakeholder process
- Governance reform in parallel to Readiness process – ODA funds such as FIP

Revenue raising: Investment and trade in carbon credits

- Ex-ante investment in carbon futures:
 - Private sector - will increase IF agreement reached at COP15 (risk decreased)
 - International funds – e.g. FCPF; piloting a REDD market (Annex 1 investors to shoulder risk)
- Performance-based, ex-post:
 - Robust conditions apply
 - Trade on carbon market – higher standards
 - International funds – to cover high-risk forest carbon

Enabling access

- *IPCC tiers – only tier 3 fully fungible with carbon market. Fund-based revenue for lower tiers
- *We define the currency, so we can make room for:
 - Continuation or expansion of ‘good practice’
 - Rewarding past performance (Nepal)
- *Slippery slope – no carbon product to sell

Revenue disbursement: Scale of accounting

- Scale: Nested
 - National oversight body is essential
 - Project-based start-up: develop good practice and build confidence
 - Motivation for governance reform?
- In-country disbursement: UNFCCC can issue guidelines but cannot dictate
- Co-benefits can be addressed through PES at sub-national level (Costa Rica)

Realising revenue

- Credit 'bank': countries may choose NOT to release credits on to market
- REDD cartel (Forest carbon 'OPEC')
- Control prices, reduce market flooding

Distributing revenue

- 'Effective' managers (legal or otherwise) must be compensated/rewarded
- Distinguish between revenue from avoided deforestation and reduced degradation: different drivers and actors
- Twin streams of revenue:
 - Payment for work done (management, data collection) – fixed, regular, ensuring motivation to participate
 - Dividend from positive REDD results – negotiated, proportional

Effective participation

- If Degradation is included:
 - REDD will NOT be possible without multi-stakeholder participation
 - Local people essential:
 - Gathering data (ground truthing)
 - SFM for positive results
 - Community forestry, tenure reform and rights recognition
 - A practical necessity, not just a moral one
 - Link with broader local and national development programs and policies

Anything else?

- MRV: standards – foundation of any successful forest carbon trading system