

Poverty and Conservation Learning Group (PCLG)

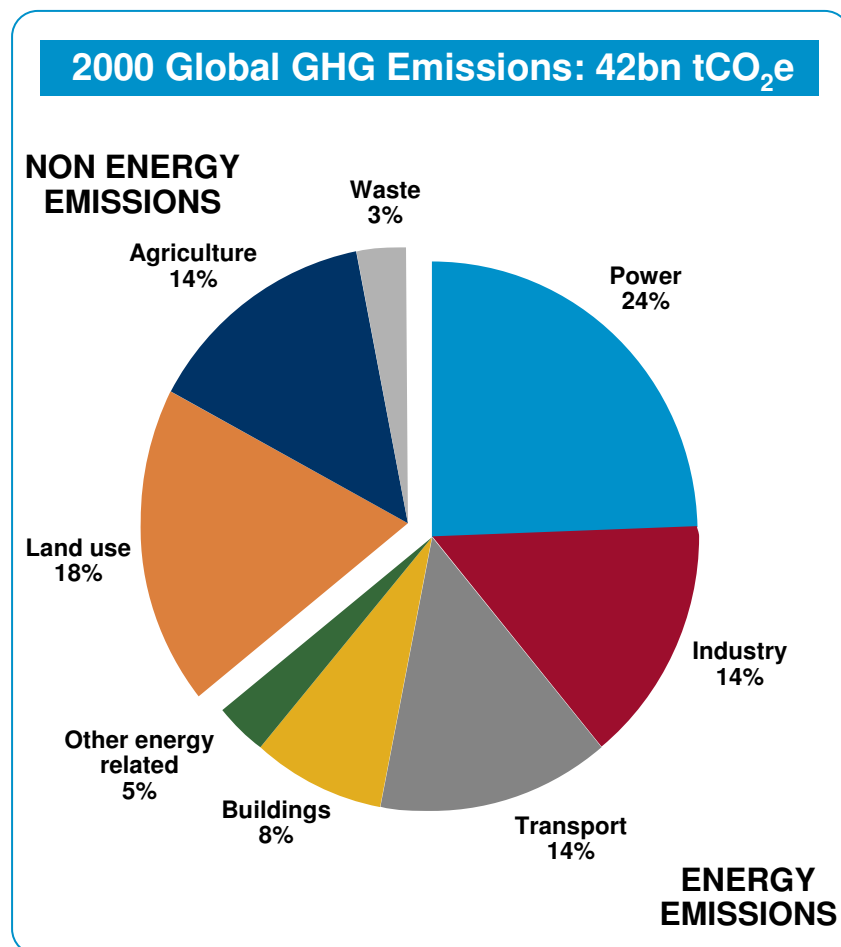
Jenny Henman

7th November, 2007

Sustainable Forestry Management Limited



Deforestation = 18 - 25% of CO₂ Emissions



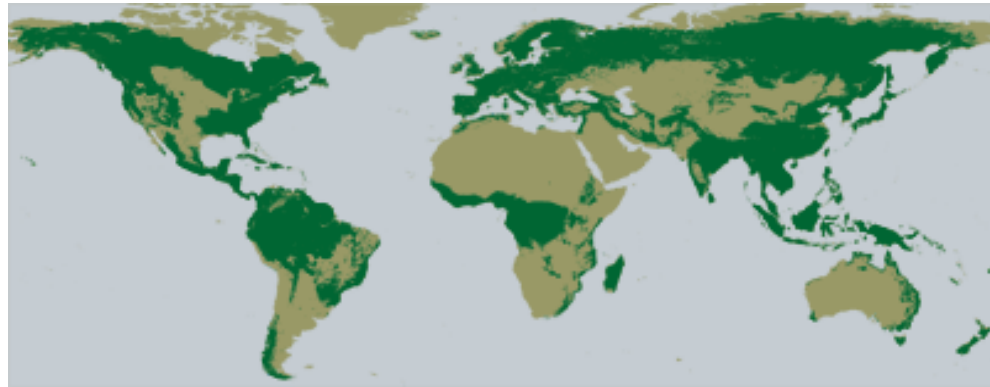
Source: Stern Review, from World Resources Institute Climate Analysis Indicators Tool

Stern Warnings

- Action to preserve the remaining areas of natural forest is needed urgently
- Taking action to protect forests is therefore too important to wait until the next commitment period
- The CDM in its current form is making only a small difference

Original Forests - Forests Today

Original forest



Remaining forest



Source: World Commission on Forests and Sustainable Development 1999

Forest preservation and restoration: the role of markets

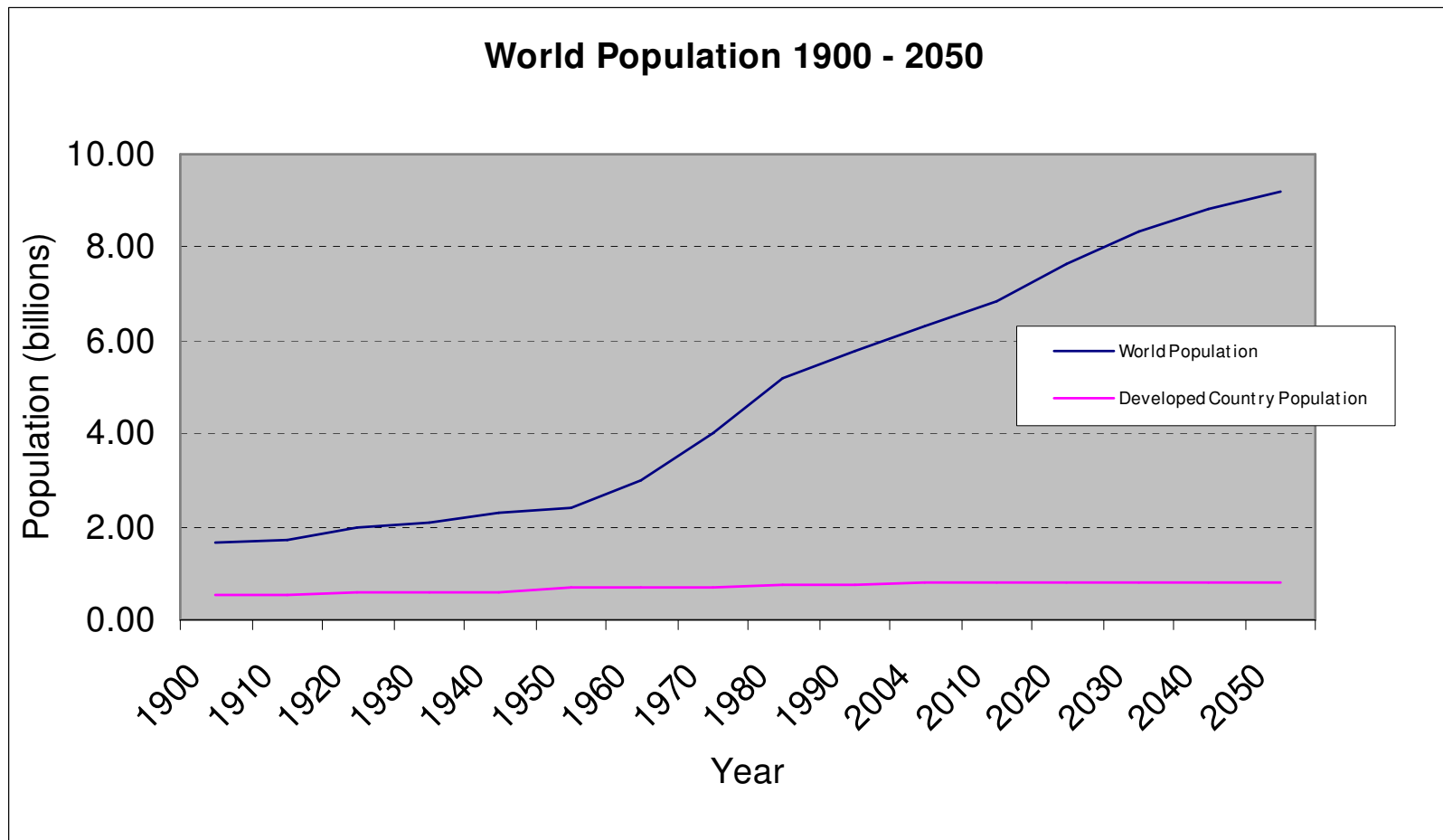


- Annual Deforestation: 12 million hectares
- NPV tropical forest cleared to pasture or arable agriculture : \$100-\$4000 per hectare*
- Average CO₂ Storage per hectare: 500 tonnes
- Tropical Forest Carbon Value**: \$1,500-\$10,000 hectares (\$3-\$20 t CO₂)
- **Potential Value from Avoided Emissions by halving deforestation: \$9-60 billion**

**Source: At Loggerheads? Agricultural Expansion, Poverty Reduction and Environment in the Tropical Forests. The World Bank, October 2006*

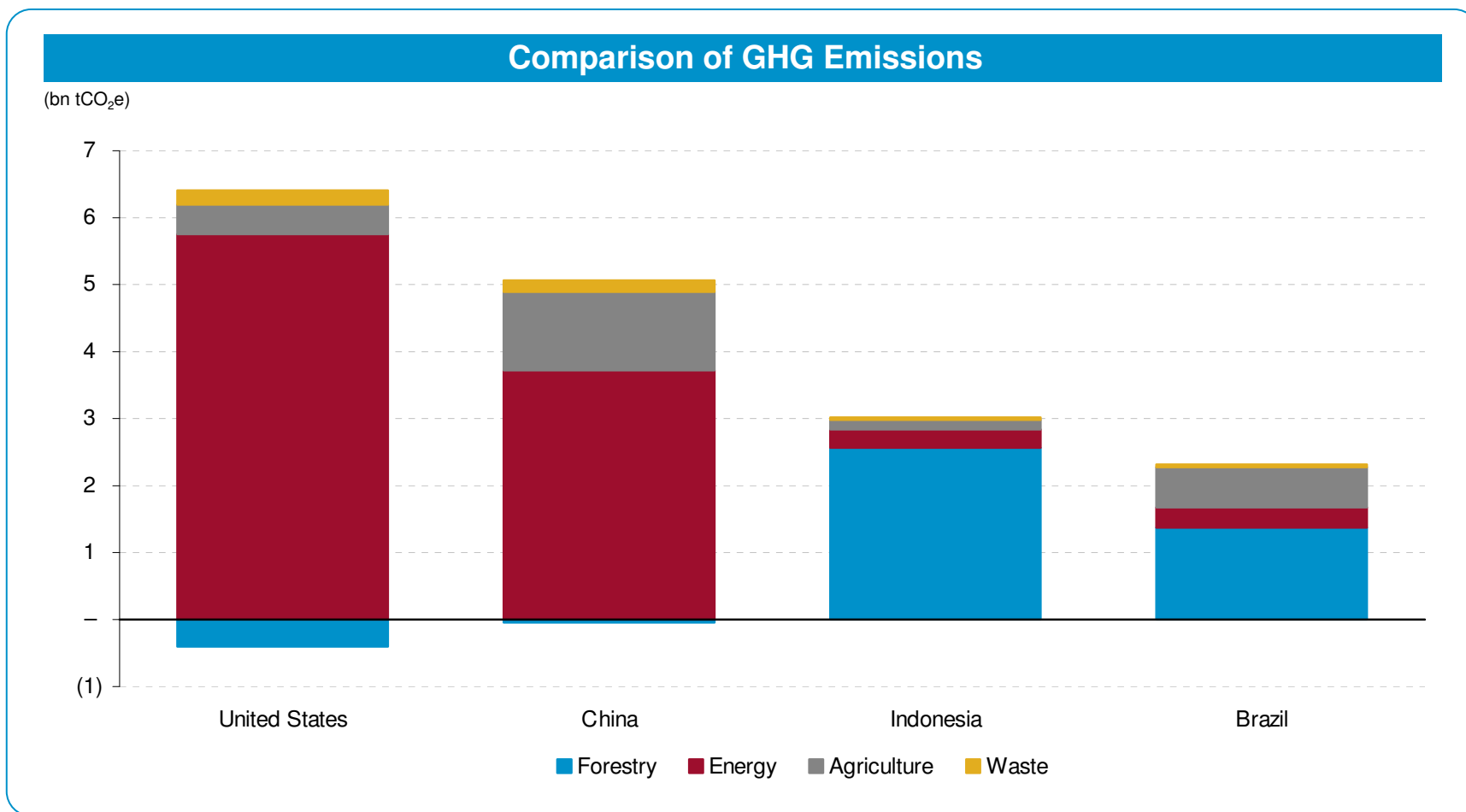
*** Assuming Average CO₂ Storage per hectare in a tropical forest: 500 t CO₂ per hectare.*

Population Growth 1900-2050



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World's Top 4 GHG Emitters

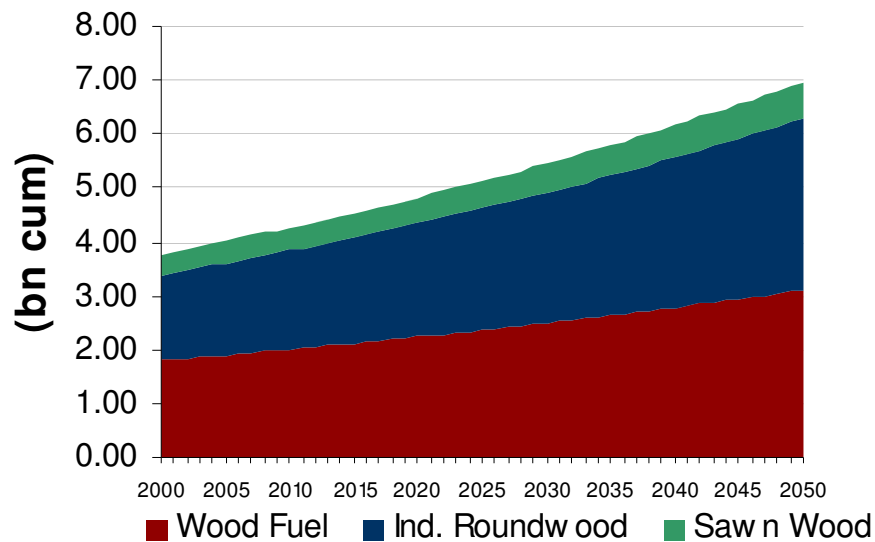


Source: World Bank/DFID - Indonesia and Climate Change: Current Status and Policies 2007

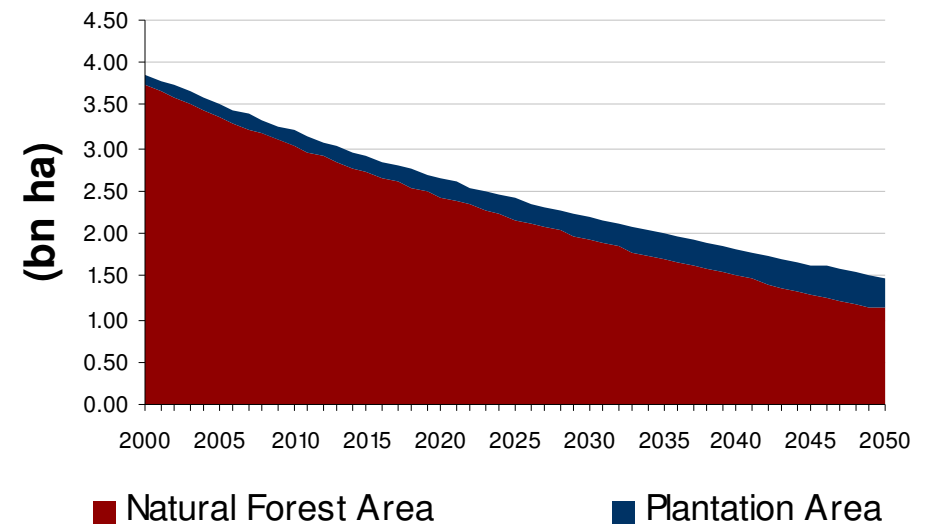
Both reforestation and forest protection must be incentivised to prevent native forest clearing for timber



Total Wood Consumption

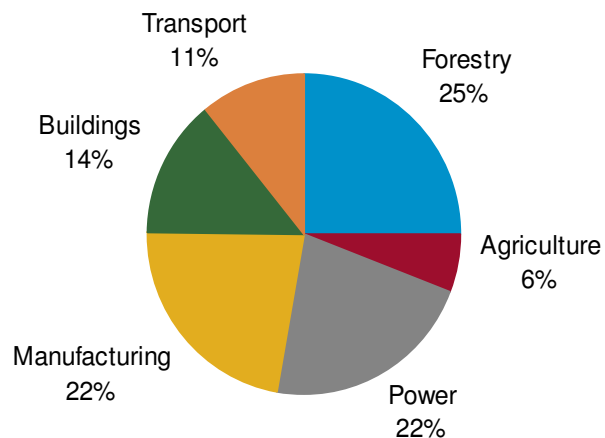


Total Forest Area



Forestry - Greatest Potential/Lowest Cost

2030 Annual Abatement Potential⁽¹⁾: 26.7bn tCO₂e

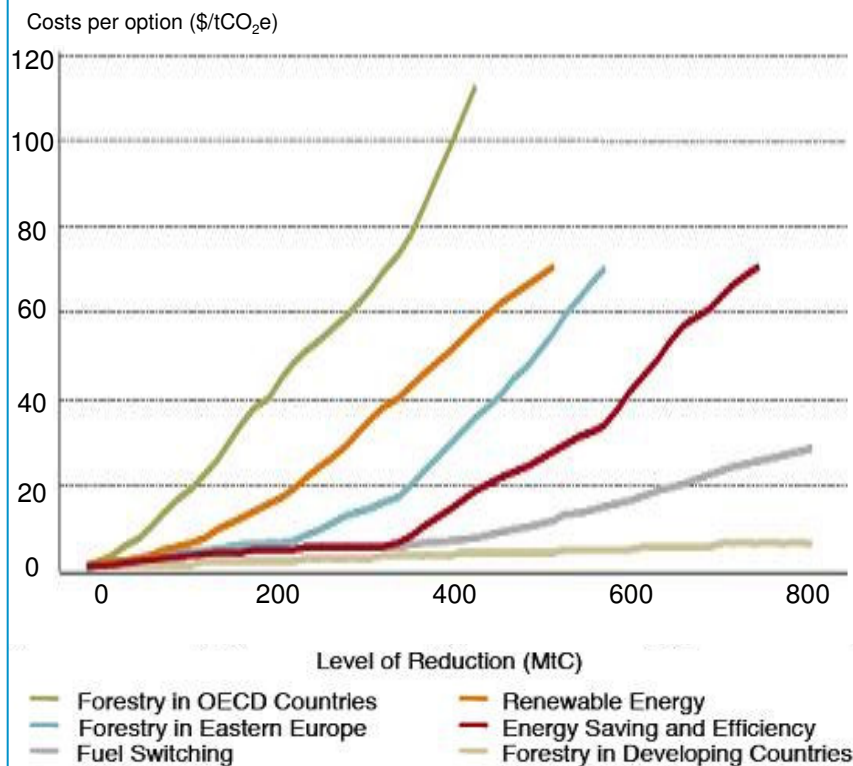


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Forestry⁽²⁾	6.7bn tCO₂e
Avoided Deforestation	3.3
Afforestation/Reforestation	3.4

- (1) Source: McKinsey & Co. - A Cost Curve for Greenhouse Gas Reduction, 2007
 (2) Source: Vattenfall - Global Mapping of Greenhouse Gas Abatement Opportunities up to 2030, 2007

Developing Country Forestry - Low Cost Option



Source: Intergovernmental Panel on Climate Change

Forestry in the Compliance and Voluntary Markets



Kyoto Eligible Activities

- CERs through the Clean Development Mechanism limited to afforestation/ reforestation activities with restrictive rules
- RMU's through Joint Implementation cover revegetation, forest management (including avoided deforestation), & grazing land management

Other Existing and Emerging Markets

- New South Wales GHG Abatement Scheme – reforestation
- New Zealand Emissions Trading Scheme - Joint Implementation Activities
- New Zealand Permanent Forest Sink Initiative – Conservation forestry
- Australian Emissions Trading Scheme – rules to be defined but will include forestry
- Regional Greenhouse Gas Initiative, N.E. US states – reforestation
- California Cap and Trade – AB 32
- Emerging US Federal Legislation
- Chicago Climate Exchange – reforestation and avoided deforestation
- Voluntary Emission Reductions (VERs) cover broader range of activities including avoided deforestation, sustainable forestry management practises, enrichment planting and reforestation (with less prescriptive rules)



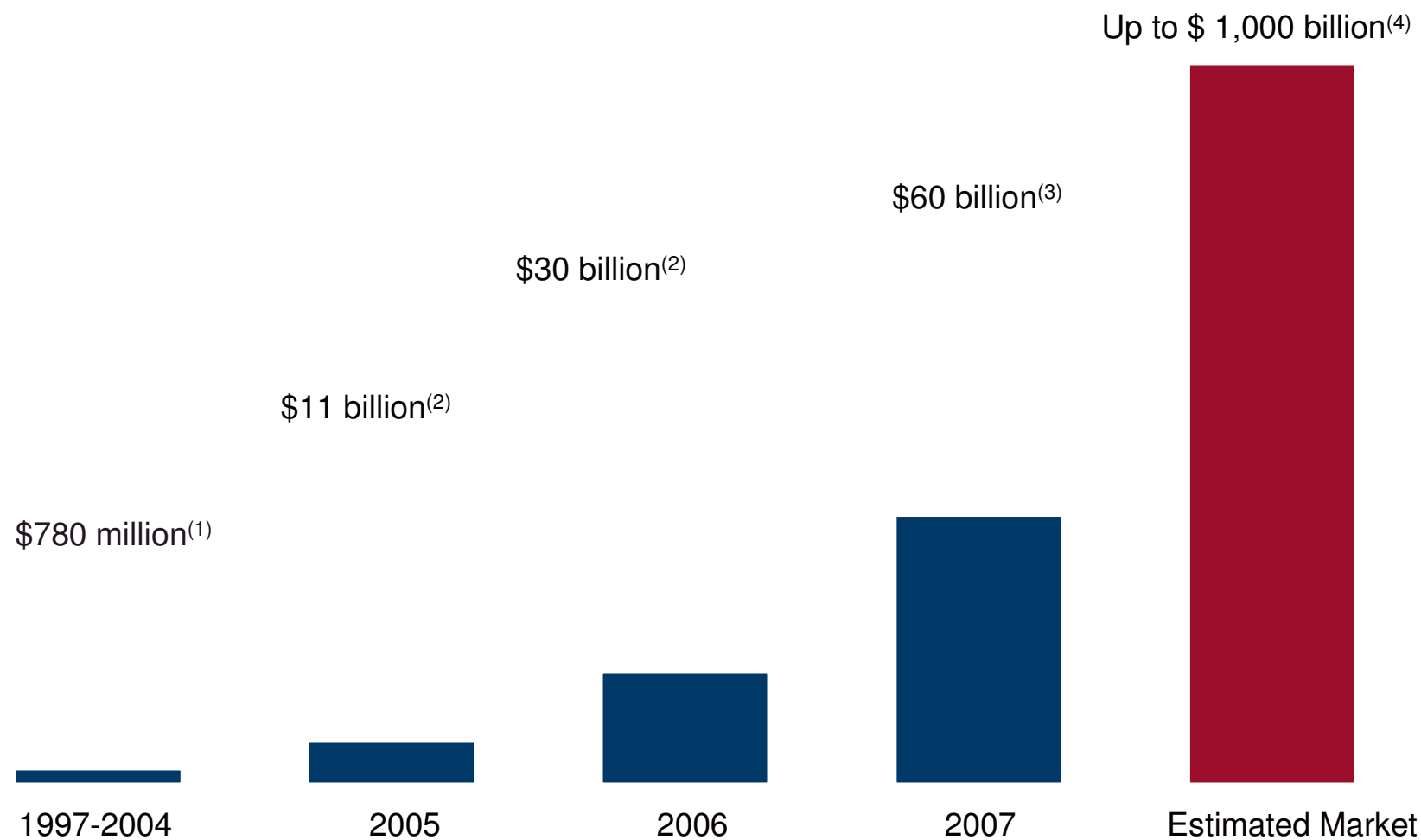


Agenda for Carbon Market Reform

- Repeal EU Emissions Trading System ban on forestry
- Change CDM
 - Repeal 1990 Rule
 - Repeal 1 % Rule
 - Liberalise A/R Rules
- Include credits from emission reductions from avoided deforestation in developing countries in future UNFCCC regime
- Ensure international forestry included in all US legislation
- Encourage viable voluntary credit standards



CO₂ Market Evolution



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(1) Source: World Bank & IETA, May 2005
(2) Source: World Bank & IETA, May 2007
(3) Source: IETA
(4) Source: The Economist
Note: Includes primary and secondary volumes



CDM A/R Failure: Need for Appropriate Regulation

		Expected CER Delivery through 2012	Issued CERs
Registered Projects	819	1,060,000,000	85,098,672
A/R Projects	1	340,000	0



The Forests Now Declaration

- Include forest carbon credits from reduced emission from deforestation in all national and international carbon markets
- Simplify and expand effective forest carbon market rules, including the CDM
- Introduce tropical forest and land use carbon credits in the EU ETS
- Encourage early action and new market mechanism and support appropriate voluntary forest carbon market standards
- Support developing countries' participation in forest carbon markets
- Incentivize the regeneration and use of degraded ecosystems and remove incentives that encourage forest destruction

<http://www.forestsnow.org>

Questions?



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