

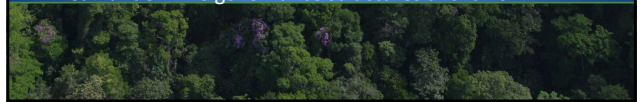
Why REDD policies and mechanisms must address international market drivers

Alistair Graham on behalf of Lisa Handy
Environmental Investigation Agency
lisahandy@eia-international.org
5 October 2010, Tianjin UNFCCC climate negotiations



International commodity drivers: the concerns

- Scale of commodity markets is enormous: Timber markets alone are over US\$ 220 billion annually
- Large scale agriculture has overtaken small scale agriculture as a driver of deforestation
- Markets for wood products and agricultural commodities generally are “no questions asked” for environmental or social impacts
- Drive deforestation/degradation
- Can undermine governance structures and laws



International Investment Activities

- Donors should reconcile international investments with REDD+ financial commitments and program objectives
- Example: Norway divestment in Samling Global
- Review investment portfolios & private sector incentives
- More work needs to be done in this area



Connection to climate policy

The Opportunity:

- Policies and measures to curb illegal logging – particularly demand side actions – have led to significant emissions reductions
- Rationalize international investment policies with REDD commitments

The Problem:

- Policy incoherence and perversities, such as direct and indirect land-use impacts from biofuels
- Reduces credibility and effectiveness of REDD plans



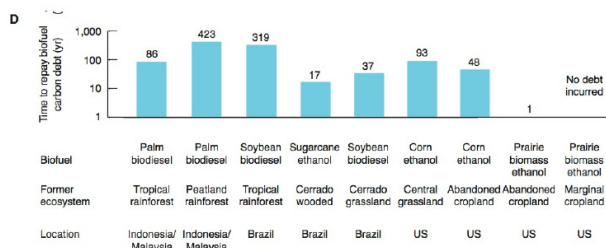
Key Facts about Indonesia & oil palm

- Since 2007, 5 million hectares of Papua have been targeted for oil palm and industrial timber plantations.
- The plantations boom is being promoted under the banners of development, as well as climate change mitigation through production of biofuels.
- Companies investing in Papua are specifically citing global demand for biofuels as the very reason for plantation development
- Many of the companies involved are already responsible for massive deforestation for oil palm and pulp and paper across Indonesia, or produce huge emissions from oil, gas and coal production.

Biofuels and carbon debt

Years to Repay Carbon Debt

Fargione et al, 2008



Biofuels: a carbon accounting scandal

- bioenergy is wrongly considered carbon neutral: LULUCF accounting does not account for changes in emissions from land use when biomass for energy is established or harvested
- Will definitions ("forest", "deforestation") and plantation safeguards prevent or facilitate the same from happening under REDD?



Illegal logging –
driven by
systemic
governance
failure and crime
– requires
demand-side
solutions



Policy in consumer countries

- Voluntary corporate actions
- Government procurement policies
- Bilateral agreements (VPAs; Peru FTA Annex)
- National laws (US Lacey Act; EU Due Diligence legislation; Australia? Others?)
- An International framework?



Legal timber trade policy & REDD

- Reduces leakage and displacement risks
- Changes risk-benefit balance and incentives for private actors all along supply chain
- Increases transparency in forest/trade sector
- Supports sovereign laws and governance improvements in tropical forest countries
- Supports broader civil society engagement in governance issues of direct relevance to REDD



International drivers: lessons

- Keeping REDD readiness and policy reform solely within REDD countries is a recipe for trouble
- The power of enormous existing commodity markets and supply chain reform must be brought to bear
- Government leadership is needed to shape laws and policies that guide markets towards legal and sustainable consumption and investment practices



Conclusion

- REDD readiness must not be an exercise only for tropical forest countries, but must include both demand and supply actions by ALL countries that contribute to driving deforestation, degradation and illegal activity
- The UNFCCC should reinforce efforts to address drivers and promote legal trade by including language within the REDD text for both developing & developed countries

