REDD: Consultants, cost curves and safeguards

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GREENPEACE

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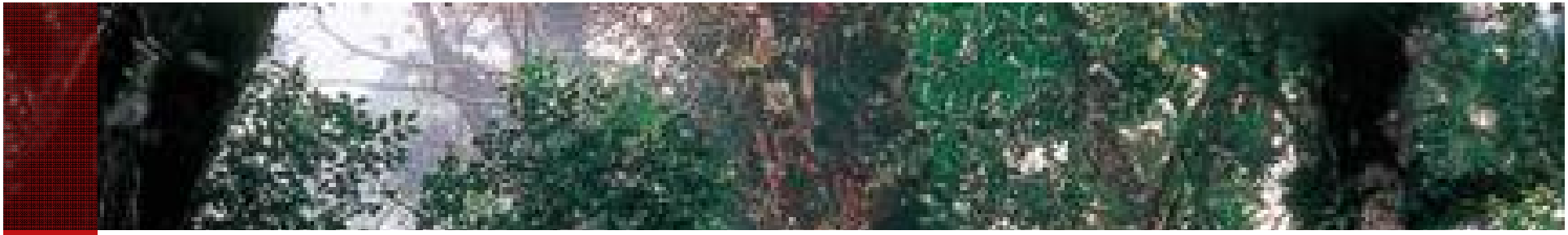

REDD+

Reducing emissions from deforestation.

McKinsey & Company

Increase in deforestation and carbon emissions?

METHOD

METHOD

Independent discussion of McKinsey cost curve

Professor Paul Ekins, Energy Institute, University of London

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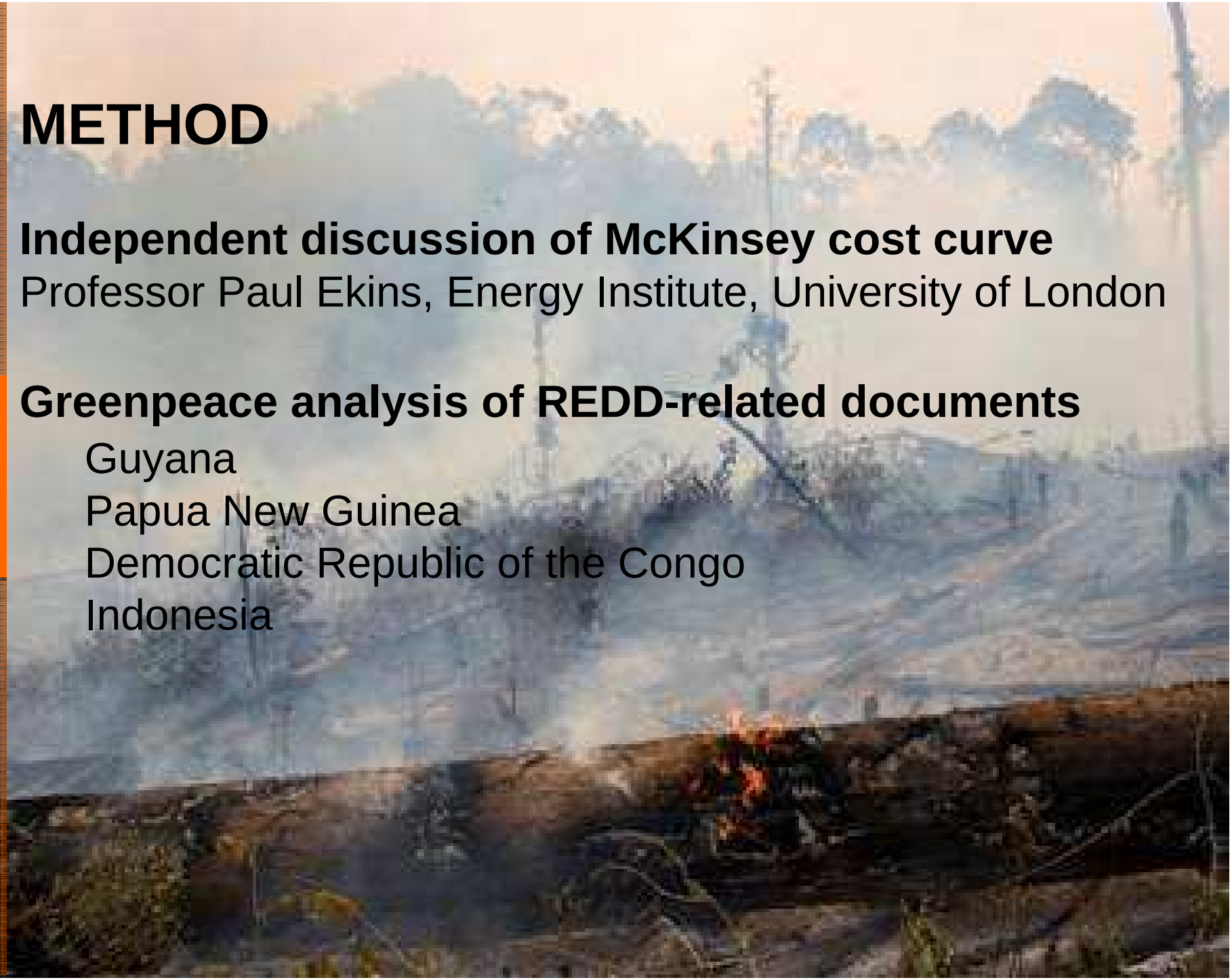
Greenpeace analysis of REDD-related documents

- Guyana
- Papua New Guinea
- Democratic Republic of the Congo
- Indonesia



KEY FINDINGS

McKinsey’s advice does not lead to a cessation of deforestation or forest degradation.

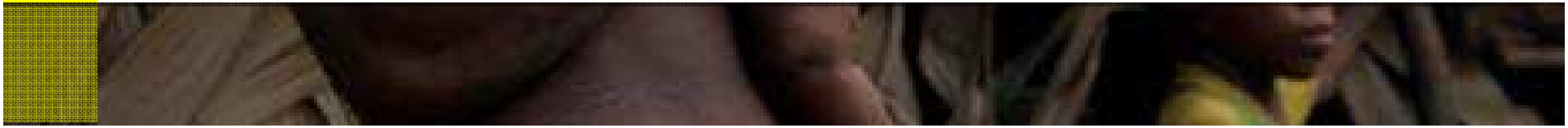
McKinsey’s cost curve is fundamentally flawed and its rationale is closed to scrutiny.

McKinsey’s approach allows rainforest nations to claim REDD+ funding for preventing destruction that was unlikely to have ever happened.

McKinsey-advised studies barely acknowledge governance issues within rainforest nations.

McKinsey-inspired plans fail to address major drivers of deforestation; they reward the industries that cause it.

McKinsey-advised studies play down the environmental impact of industrial logging and plantations; they exaggerate the impact of smallholders and farmers.



McKinsey’s advice has informed national plans which have then been criticised by funding institutions and are unfit for purpose.

RECOMMENDATIONS

McKinsey: publish the data, assumptions and analysis behind its cost curve methodology.

McKinsey: commit to reviewing and revising its methodology.

McKinsey: reject logging as a climate mitigation measure.

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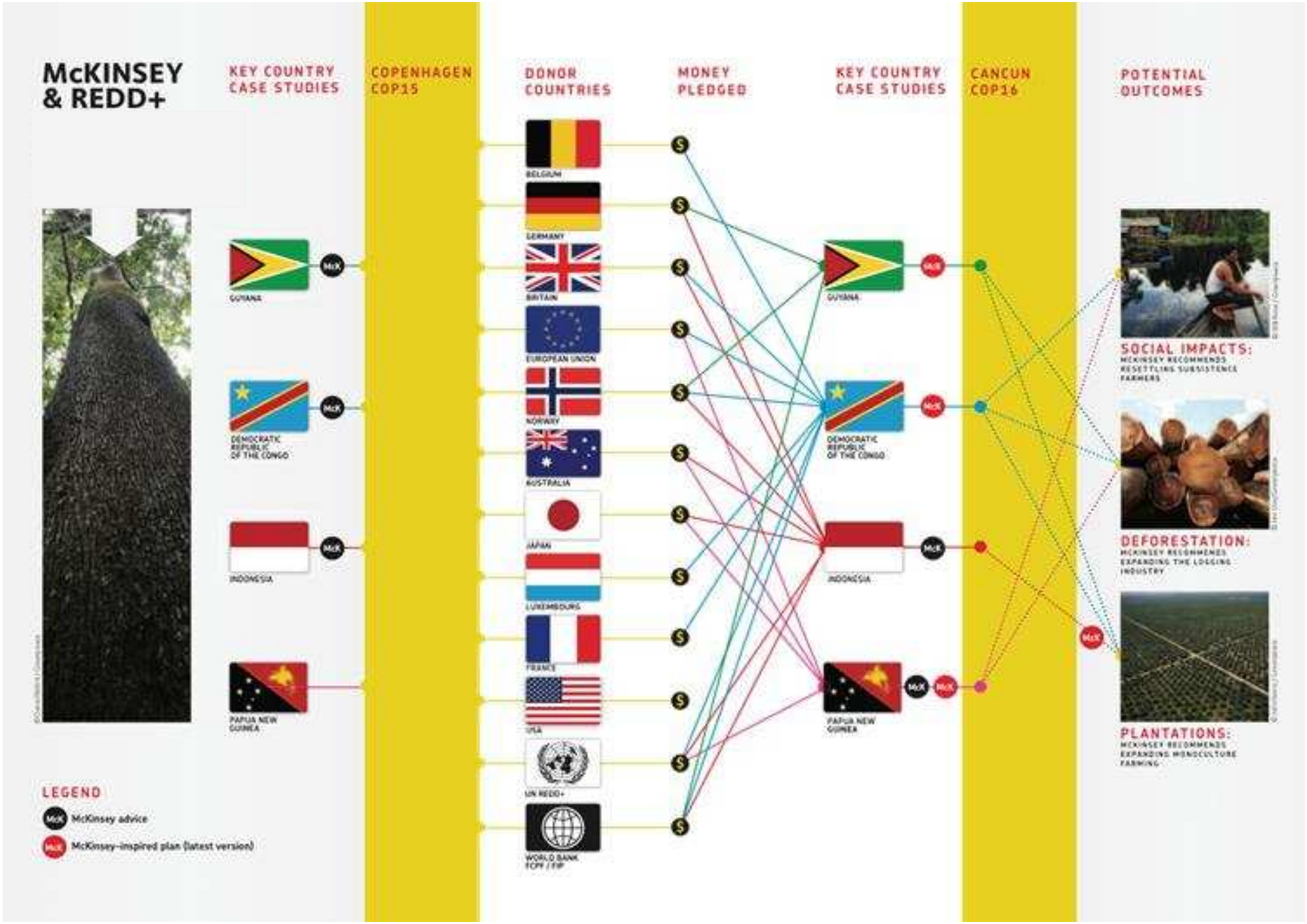
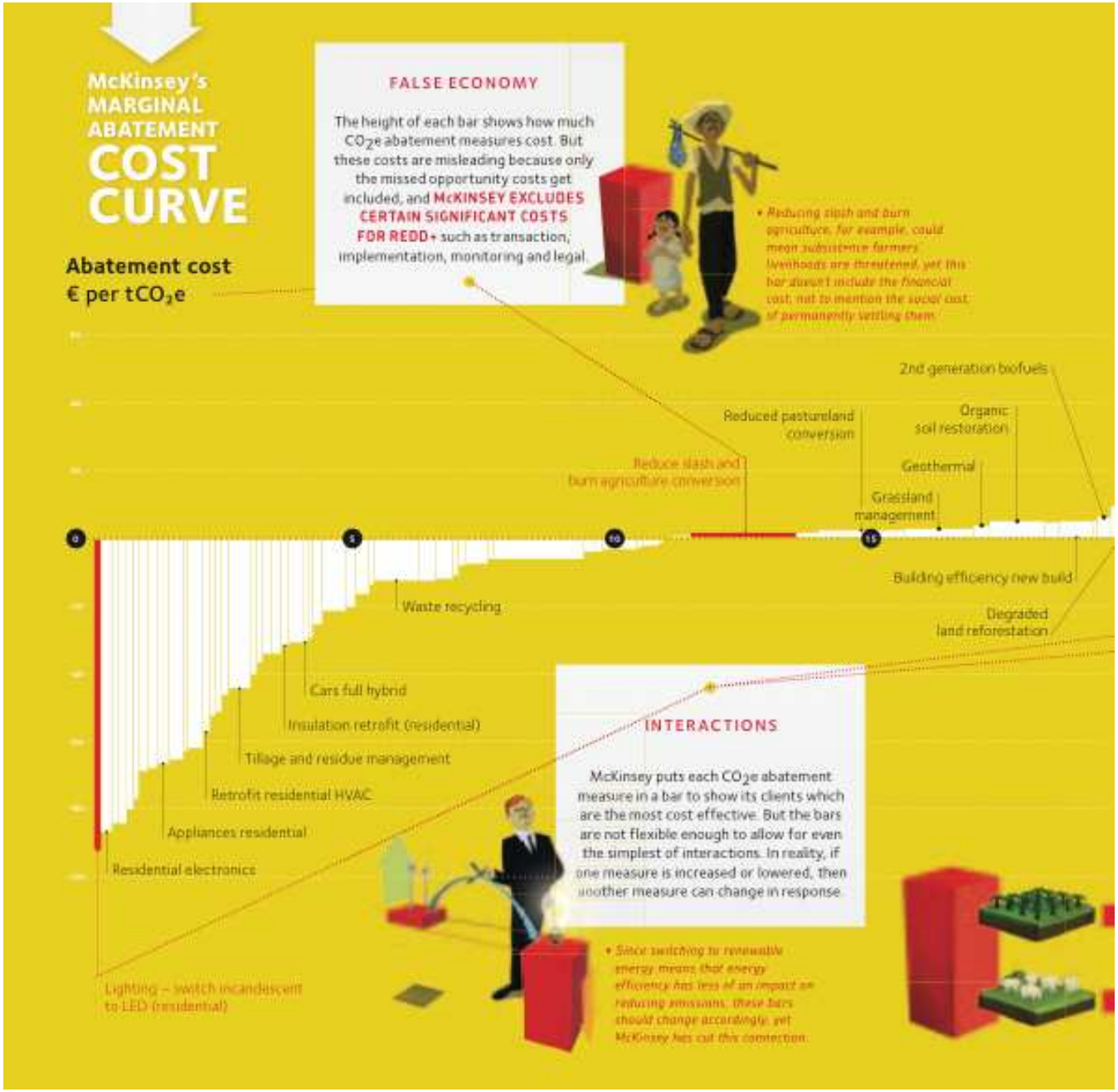
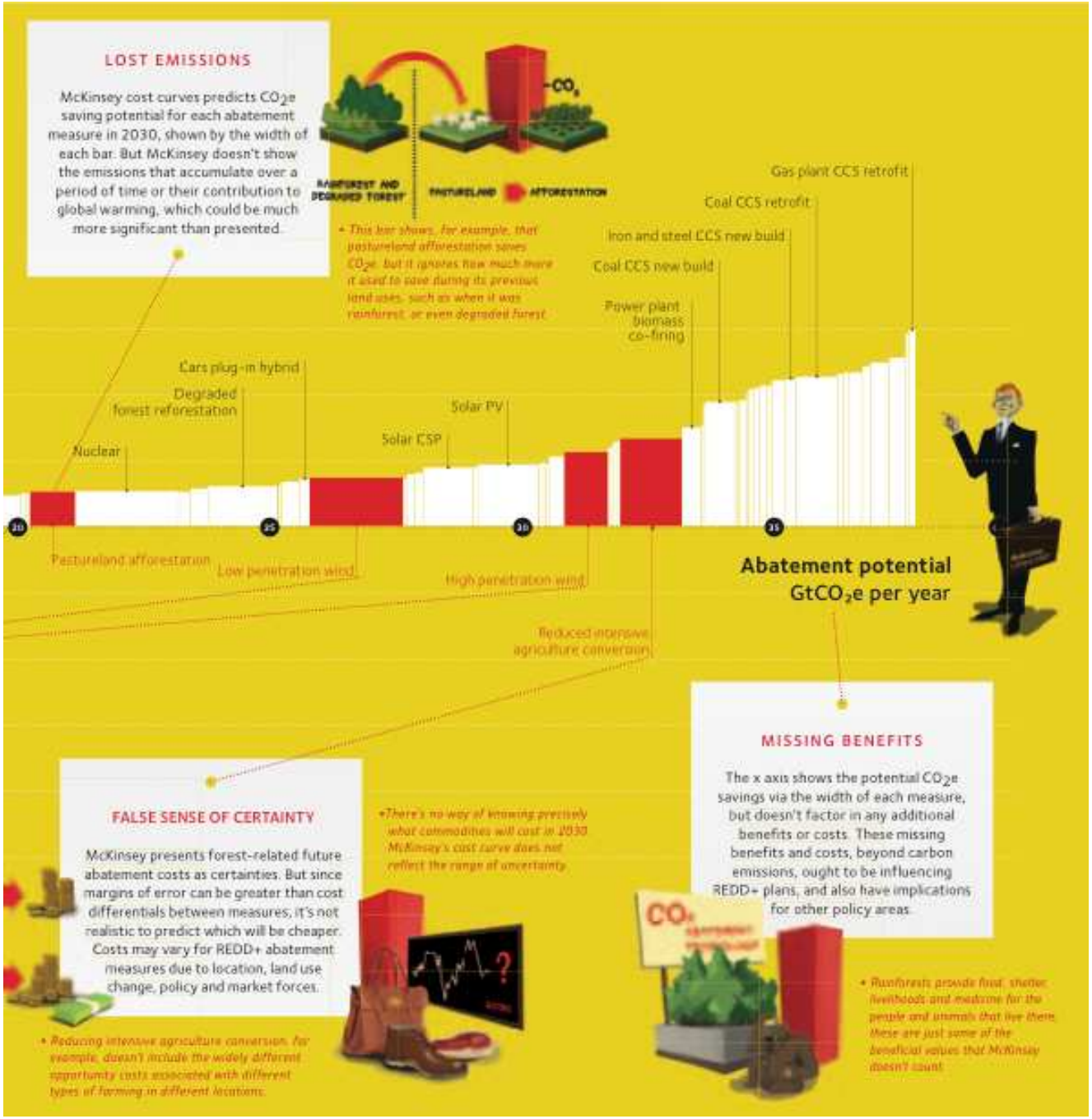


McKinsey's bad influence on national plans to reduce emissions from deforestation and degradation.


McKinsey's
MARGINAL
ABATEMENT
COST
CURVE
Abatement cost
€ per tCO2e
FALSE ECONOMY
The height of each bar shows how much CO2e abatement measures cost. But these costs are misleading because only the missed opportunity costs get included, and McKINSEY EXCLUDES CERTAIN SIGNIFICANT COSTS FOR REDD+ such as transaction, implementation, monitoring and legal.
• Reducing slash and burn agriculture, for example, could mean subsistence farmers' livelihoods are threatened, yet this bar doesn't include the financial cost, not to mention the social cost, of permanently settling them.
2nd generation biofuels
Reduced pastureland conversion
Organic soil restoration
Geothermal
Reduce slash and burn agriculture conversion
Grassland management
0
5
10
15
Building efficiency new build
Waste recycling
Degraded land reforestation
Cars full hybrid
Insulation retrofit (residential)
Tillage and residue management
Retrofit residential HVAC
Appliances residential
Residential electronics
Lighting – switch incandescent to LED (residential)
INTERACTIONS
McKinsey puts each CO2e abatement measure in a bar to show its clients which are the most cost effective. But the bars are not flexible enough to allow for even the simplest of interactions. In reality, if one measure is increased or lowered, then another measure can change in response.
• Since switching to renewable energy means that energy efficiency has less of an impact on reducing emissions, these bars should change accordingly, yet McKinsey has cut this connection.


LOST EMISSIONS
McKinsey cost curves predicts CO_2e saving potential for each abatement measure in 2030, shown by the width of each bar. But McKinsey doesn't show the emissions that accumulate over a period of time or their contribution to global warming, which could be much more significant than presented.
-CO_2
RAINFOREST AND DEGRADED FOREST
PASTURELAND
AFFORESTATION
* This bar shows, for example, that pastureland afforestation saves CO_2e, but it ignores how much more it used to save during its previous land uses, such as when it was rainforest, or even degraded forest.
Gas plant CCS retrofit
Coal CCS retrofit
Iron and steel CCS new build
Coal CCS new build
Power plant biomass co-firing
Cars plug-in hybrid
Degraded forest reforestation
Solar PV
Solar CSP
Nuclear
2010
2015
2020
2025
Pastureland afforestation
Low penetration wind
High penetration wind
Reduced intensive agriculture conversion
Abatement potential
$GtCO_2e$ per year
FALSE SENSE OF CERTAINTY
McKinsey presents forest-related future abatement costs as certainties. But since margins of error can be greater than cost differentials between measures, it's not realistic to predict which will be cheaper. Costs may vary for REDD+ abatement measures due to location, land use change, policy and market forces.
* There's no way of knowing precisely what commodities will cost in 2030. McKinsey's cost curve does not reflect the range of uncertainty.
* Reducing intensive agriculture conversion, for example, doesn't include the widely different opportunity costs associated with different types of farming in different locations.
MISSING BENEFITS
The x axis shows the potential CO_2e savings via the width of each measure, but doesn't factor in any additional benefits or costs. These missing benefits and costs, beyond carbon emissions, ought to be influencing REDD+ plans, and also have implications for other policy areas.
CO_2
* Rainforests provide food, shelter, livelihoods and medicine for the people and animals that live there. These are just some of the beneficial values that McKinsey doesn't count.

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