

## The REDD+ outlook: how different interests shape the future

By Leo Peskett and Pius Yanda

**T**he warning from scientists about the speed of human-induced climate change and an ever smaller window of opportunity to reduce greenhouse gas emissions is loud and clear (Copenhagen Climate Summit, 2009). It is now also widely agreed that deforestation and degradation (DD) constitute up to 17% of global emissions and play a significant role in climate change (IPCC, 2007). This is coupled with the much less certain, but much rehearsed, argument about the relative cost efficiency of addressing DD drivers and the possibly huge new financial flows to the sector from carbon markets. The result is renewed interest in tackling the drivers of DD.

Whilst there is some consensus about DD as sources of emissions contributing towards climate change, there is much less agreement over how these should be included as part of efforts to tackle climate change. Concerns among developing countries vary from possible negative impacts on economic growth and loss of national sovereignty, to being left out completely of future compensation mechanisms because of the terms on which these are established. Those of developed countries, on the other hand, include the high costs and feasibility of meeting future emissions targets without the inclusion of Reduced Emissions from Deforestation and Forest Degradation (REDD+) in the UN Framework Convention on Climate Change (UNFCCC). Other concerns include the environmental integrity and economic implications of including REDD+ within mechanisms such as carbon markets. There is criticism from several quarters about large money flows leading to misuse, corruption, displacement of poor people and possibly perverse incentives. As a result, many different visions exist for REDD+ and what it could and should be.

This Background Note describes the diverse agendas driving the REDD+ debate and considers what this may mean in terms of moving ahead with the initiative.

### REDD+ in the UNFCCC

The 'official' version of REDD+ in the UNFCCC is about emissions reductions. It has been developed over the last four years within the UNFCCC process, following a proposal by Papua New Guinea on behalf of the Coalition of Rainforest Nations.

This raised the idea of incentivising tropical forest conservation through carbon markets and culminated in a decision at the Conference of the Parties (COP)13 in Bali to consider REDD+ as part of the 'Bali Roadmap' to achieve a post-2012 climate change agreement in Copenhagen.

A focus on emissions reductions and lack of agreed approaches to evaluating those relating to DD and other carbon stocks has meant formal discussions have concentrated on technical or methodological issues, under a Subsidiary Body for Scientific and Technical Advice (SBSTA) 'programme of work'.

However, given the implications of different approaches to achieving REDD+, technical issues have been rapidly translated into political bargaining. This is clearly illustrated by the SBSTA's heavily bracketed draft COP decision text, in which a series of issues remain unresolved. These include:

- definitions that imply different measures by which to establish performance and potential benefits (e.g. whether 'reference levels', 'reference emissions levels' or both are appropriate);
- the role and extent of independent review of forest monitoring systems;
- the role of indigenous peoples in developing and applying REDD+ methodologies.

These will be further discussed at SBSTA<sub>31</sub> in December 2009 and it is likely that SBSTA will need to consider further guidance in light of a COP decision.

In the context of the Ad-Hoc Working Group on Long Term Cooperative Action, discussions have moved towards questions of implementation, which adds another layer of complexity to the debate. Questions are being asked about linkages between REDD+ and the broader climate change mitigation architecture; types of funding sources, and mechanisms that could be used to support REDD+. Also raised is how monitoring, reporting and verification of both support and actions are handled.

### **The REDD+ ‘game’: who is playing it and why?**

The ‘unofficial’ version of the REDD+ process is that it is more like a game between four players. These are southern and northern governments, NGOs and the private sector. Their motivation stretches beyond emissions reduction goals and this has a major influence on the key debates about the form that REDD+ could take.

#### **Southern governments**

Many rainforest countries with high deforestation rates have been instrumental in pushing a version of REDD+ that focuses on deforestation emissions and market-based mechanisms. From the outset, the proposal of the Coalition of Rainforest Nations strongly emphasised these issues. Similar approaches are supported by some other forested Least Developed Countries (LDCs). A priority for developing countries under REDD+, particularly in Africa, is not merely to reduce emissions but to enhance national development, thus creating capacity to curb emissions from forests and other land uses (SADC, 2009).

A major exception has been Brazil, which, despite the potential to gain significantly, has been vehemently opposed to market-based systems. This is due mainly to concerns about the erosion of national sovereignty and the belief that emissions reductions in the sector will be a slippery slope towards future binding commitments. More generally among major developing country emitters, there are growing fears that actions to support REDD+, particularly in emerging economies, will remove some of the cheaper mitigation options and lead to higher costs for those countries taking on binding emissions commitments (sometimes referred to as the ‘low hanging fruit problem’ of mitigation – Goltz, 2009).

The scope of emissions sources in forest mitigation strategies is also driven by wider interests. How to include emissions resulting from degradation has been the most prominent. Without these, there will be few benefits for countries with lower deforestation

rates but high degradation rates, such as in much of West Africa. Emissions from forest degradation in this region are thought to be up to 50% of the annual rate of deforestation (Lambin et al., 2003). There are strong environmental, as well as equity grounds on which to include degradation.

Stock conservation and enhancement (including forests that are not under threat from DD) has been even more contentious. This is because countries such as India have made efforts to conserve or enhance their remaining forest stocks in recent years. Stock conservation does not sit easily with market-based approaches and/or offsetting. Both focus mainly on emissions reductions, which has given rise to several proposals for funding stock conservation through alternative channels. This has been a major factor in the broadening of scope from ‘avoided deforestation’ through various related initiatives leading to REDD+ over time.

Despite this, most developing countries are united in their concerns about issues such as the degree of international oversight in the implementation of REDD+. This has been expressed in the debates about the role of independent review of national forest monitoring systems and appropriate monitoring, reporting and verification procedures for REDD+ activities (Earth Negotiations Bulletin, June 2009).

#### **Northern governments**

The concept of REDD+ has been picked up positively by most northern governments. They justify their support normally in terms of the necessity to address emissions from DD to stabilise global temperatures at 2°C. The environmental and social ‘co-benefits’ that could accrue from addressing the drivers of DD are also frequently cited.

One of the main motivations clearly relates to the use of REDD+ to offset domestic emissions reductions targets. The current formulation of the Waxman-Markey Bill in the US envisages a large role for offsetting. This is limited to two billion tonnes per year (around 30% of all US emissions reductions). Around half of this could be derived internationally (Boucher, 2009). The Bill also includes provisions for a 5% ‘set aside’ to fund REDD+. The Bill has been heavily criticised for these clauses, and because its targets are not sufficient to meet climate stabilisation goals.

Norway has made more ambitious pledges to cut emissions by 100% by 2030 (therefore becoming carbon neutral). Two-thirds of this will be reduced domestically. It envisages a large role for REDD+ in meeting international offsetting targets in the long term. Still, it too has been criticised for the large role it assigns offsetting and the fact that, as a major exporter of fossil fuels, Norway is a large contributor to global emissions.

The EU's new Climate Change and Energy Package forecasts offsetting of up to 50% of EU emissions internationally. However, this does not formally include REDD+ as a market-based mechanism in the short term for reasons related to technical issues such as leakage and market flooding arising from inclusion of REDD+ in the EU Emissions Trading System (Bozmoski, and Hepburn, 2009).

It has been suggested that the EU position has partly been shaped by influential Brussels-based NGO lobbies, the desire for the EU to be seen as a progressive world leader, and ethical concerns surrounding local implementation and the rights of indigenous peoples. These ethical concerns may have also played a role in the EU's position on inclusion of REDD+ in the Clean Development Mechanism (CDM) (Boyd et al., 2008). Nevertheless, the EU is pushing to support national REDD+ programmes through alternative funding instruments and plans to review its policy on REDD+ in light of agreements at Copenhagen.

### **Non-governmental organisations**

Major divisions over REDD+ exist within the non-governmental (NGO) sector, with a number of environmental NGOs strongly opposed to the concept. This is particularly the case where REDD+ is used to offset developed country emissions and financed by market-based systems. Their concerns relate to the fact that offsetting allows developed countries to take on much less stringent emissions reduction targets; existing systems such as the CDM have delivered large profits to carbon investors but failed to deliver significant emissions cuts, and potentially perverse effects of REDD+ investments. For example, supporting monoculture plantations has already been shown to have negative impacts on biodiversity and local people.

There has, however, been a cautious welcome of REDD+ by some of the more conservation-oriented environmental NGOs, who see it as a potential tool for focusing attention and money on tropical forest conservation activities. Many have begun to develop REDD+ pilots and are generally more in favour of market-based mechanisms, given their investment potential. However, even these NGOs have been careful to push for strong social and environmental standards in the implementation of REDD+ (The Nature Conservancy, 2009). Some have also pushed for broadening its scope to include other land uses as a step towards more integrated conservation strategies and greater emissions reduction benefits.

Development NGOs have been much less active in the REDD+ debate. This may be partly because they are more pre-occupied with pushing the adaptation agenda. Some are involved in developing REDD+

standards. Others are actively opposed to REDD+ on similar grounds to environmental NGOs. Indigenous people's groups have been the most vocal.

The main concern is that REDD+ acts as an incentive for governments or the private sector to disregard fundamental rights to land and territories. Many northern and southern governments, as well as the private sector, have a history of conflict over the rights of indigenous peoples. Whilst most indigenous people's groups have strong concerns about REDD+, some see its potential benefits and are calling for basic safeguards (e.g. free, prior, informed consent), while others are more vehemently opposed. Overall they do not have a common position on particular approaches (Tauli-Corpus, 2009).

Some local communities and indigenous peoples are beginning to engage more directly with the agenda through the development of pilot programmes and projects. This may be because of an opportunity to benefit financially and in terms of other assets (e.g. rights to land, environmental protection, etc.) that have been advertised. It is not clear, however, to what extent they are reacting to processes already underway. In this case, their rationale for engagement is more likely to be an attempt to safeguard concerns about 'elite capture', increased conflict and weakened rights.

### **Private sector**

Private sector interest in REDD+ is increasing, particularly amongst actors in the carbon markets. The vision among many carbon market participants (project developers, intermediaries and some buyers), is for REDD+ to be included as soon as possible in carbon markets and allow for project-based approaches. One of the main attractions is that credits from REDD+ may be cheap to produce. This offers project developers the prospect of substantial profits if sold into carbon markets, and buyers potentially cheaper credits. Corporate Social Responsibility (CSR) is another key driver. Biodiversity conservation and poverty reduction 'co-benefits' of REDD+ may be easier to sell than emissions reductions from more industrial projects and even be sold at higher prices. The private sector is lobbying for project-based approaches to REDD+ which would make transactions easier than working through governments (IETA, no date).

There are strong emerging links between powerful players like Goldman Sachs, NGOs and most certainly authorities in financial powers like the UK and the US. This is a subset of actors which have traditionally enjoyed significant political leverage in these countries. Major investment banks, like Credit Suisse and UBS, are already operating in places like Indonesia, sometimes in cooperation with western NGOs.

**Table 1: Summary of drivers of interests in the REDD+ agenda and their influence over different actors' positions on some of the key aspects of REDD+**

Driver	Influence on positions on the main REDD+ 'building blocks'
<b>Economic benefits</b>	Key driver in the interest of many southern governments with low deforestation rates and high degradation to expand the scope from avoided deforestation to REDD+. Driving interest among conservation NGOs because of links to financing protected areas, biodiversity conservation etc., and to include 'forest conservation'. Key driver for private sector in terms of position on market-based and project-based systems. May be a key driver for some local communities and indigenous peoples to engage with REDD+ because of the perceived benefits.
<b>Cost-efficiency</b>	Key driver in influencing the position of many northern governments on the use of offsetting and interest in market-based systems for REDD+ (FCCC/KP/AWG/2009/MISC.1, page. 39), but also avoid transfers beyond actual costs of REDD+. Key driver for private sector positions on the use of project-based systems for REDD+, which may be easier than working through governments (IETA, no date).
<b>Environmental integrity</b>	Key driver of opposition from 'anti-market' NGOs to the use of offsetting and market-based systems (Bullock et al., 2009). Key driver of positions on the scope of REDD+ in relation to sustainable forest management including logging or conversion to plantations.
<b>National sovereignty</b>	Key driver for many southern governments' positions on use of offsetting in REDD+, scale, safeguards relating to indigenous peoples and development of Monitoring Reporting and Verification systems involving third parties.
<b>Fairness and social justice</b>	Key driver of pro-market NGO positions on the use of social safeguards for co-benefits in REDD+ (The Nature Conservancy, 2009); also key driver of opposition to offsetting and market-based approaches by some anti-market NGOs. Key driver for local and indigenous peoples' concerns for the development of social safeguards and co-benefit approaches in project and programme design.
<b>Political positioning / public relations</b>	Key driver behind some northern governments' positions (Bozmoski and Hepburn, 2009) on use of offsetting and market systems. Also a key driver for southern governments' positions on co-benefits and socio-economic development. Public relation concerns a key driver of private sector interest in systems (e.g. standards) to demonstrate co-benefits.

Another major player is the logging industry. There is a strong push to fund 'sustainable forest management' (SFM) under REDD+. This is usually interpreted as logging. The inclusion of plantations is also a big issue pushed by the private sector, as environmental NGOs try to insert safeguards against logging and conversion.

Despite the diversity of actors, the differences in their position about the fundamental building blocks of REDD+ are limited to a relatively small set of drivers. These can be summarised in six main categories (Table 1).

### What are the implications for moving ahead with REDD+?

Moving ahead with REDD+ will require decisions on a number of technical and political issues. However, the trade-offs are massive both internationally and nationally. These include, for example:

- broadening the scope of REDD+. This will entail trade-offs between the cost and accuracy of emissions reductions. This could lead to greater participation though possibly at the risk of subordinating the agenda to a larger number of self-interests (e.g. the conservation lobby). Debates about reference levels raise similar issues.
- scale of implementation. This may entail trade-offs between cost-efficiency and country ownership. Greater technical capacities to implement REDD+ and higher levels of private sector involvement are likely at the project level. Greater government

ownership and harmonisation with other development goals may be achievable within more nationally led approaches. This, in turn, has implications for whether REDD+ acts as an incentive or disincentive for increased local involvement in strategies to reduce deforestation and degradation.

- the degree to which 'co-benefits' should be a goal of REDD+. This raises the issue of trade-offs between cost efficiency and equity. There are further concerns about approaches to maximise 'co-benefits' being a 'vener of participatory approaches' (Opoku, 2009), pushed by those actors eager to get REDD+ underway. These reflect larger concerns about the extent to which REDD+ rewards the 'bad guys'. These include northern governments engaging in offsetting, market intermediaries making large profits in REDD+ markets and large industrial interests engaging in deforestation.
- the use of offsetting and market mechanisms. This may entail trade-offs in terms of potential finance to achieve REDD+ and geographic distribution. There is potential for LDCs to be 'frozen out' of market systems, as has occurred in the CDM. Lack of knowledge about the potential demand side of the market and fluctuations inherent in market systems may exacerbate this problem. This could possibly lead to leakage over time if it drives changes in land use.

These trade-offs make decision-making difficult. It may be more politically feasible for REDD+ to move ahead through some form of compromise. The ‘phased approach’, for example, has received much attention internationally and may offer potential consensus on REDD+ (Goltz, 2009).

It envisages three phases: countries ramp up from capacity-building activities, are rewarded through pilot incentive mechanisms based on ‘proxies’ for emissions reductions, and finally use systems where performance is based on accurate quantification of emissions with finance potentially linked to carbon markets.

This accommodates the many different interests driving the REDD+ debate and may provide for much greater coverage. It could also offer greater flexibility in how countries choose to implement REDD+ as part of national development strategies. However, a broader compromise could delay rather than solve some of the outstanding differences between actors. It may also confer trade-offs from the international to the national level.

Broad monitoring, reporting and verification (MRV) systems and the phasing in of market systems may mean much slower implementation in the medium term and less extensive REDD+ systems than many actors were hoping for. This could benefit long-term transitions towards more sustainable use of forest resource. It may also avoid the potential of a ‘resource curse’, where high levels of finance and uncoordinated efforts undermine progress on issues such as land reform and result in conflict. But it will also require careful management of expectations within potential REDD+ countries. The perception that REDD+ offers fewer benefits could weaken one of the major bargaining chips that links north and south in the climate change debate.

There is a danger that REDD+ could thus slip towards a more ‘business as usual’ agenda, reliant at least in the short term, on voluntary and public sector funding and existing instruments to curb DD. This is limited and there is a general consensus that most existing instruments have failed. The implication is that REDD+ will have to quickly prove itself a new and innovative instrument which enjoys broad international confidence if it is to succeed.

The things that are novel about REDD+, for example valuing previously under-valued resources, its strong emphasis on incentive mechanisms and performance, and the requirement to take a long-term perspective, may provide opportunities to achieve this, if carefully implemented and mainstreamed into other agendas.

## Conclusions

The different actors and interests at play mean that REDD+ could move forward along three main trajectories. One sees anti-REDD+ sentiments win out: the differences between actors and technical hurdles make it too difficult to progress in a meaningful way. REDD+ may not fade altogether in this case, but efforts may instead be channelled into bilateral efforts between parties, similar to those already underway (e.g. Norway’s funding to Brazil and Tanzania). In the long term the finance under such an approach is projected to be minimal. In another scenario, REDD+ functions as a narrow emissions-focused system, the implementation of which would entail a series of difficult compromises and possibly conflict within REDD+ countries. However, it may be more cost-efficient, quicker to implement and have more immediately obvious outcomes. The third sees REDD+ as a much broader system, which allows countries to progress at different rates in order to implement REDD+, the gradual increase of finance and gradual introduction of performance measures. As such, it is likely to be slower to implement and have less immediately obvious outcomes.

On the face of it, this third approach could satisfy most interests and make a political deal more likely, because it follows the path of least resistance. It may also have benefits for the sustainability and equity of REDD+ in the long term, because it enhances country participation and allows time for genuinely ‘transformative’ approaches to evolve. But it is not without challenges. In particular it may require a major revision of expectations among actors (but especially many developing countries where expectations are currently high) about what REDD+ can and cannot deliver in the short term. Without this, problems could arise that affect the viability of the global REDD+ initiative further in the future. Another key concern is that such an approach may postpone some of the bargaining issues about trade-offs, and just transfer them to the national level rather than solving them. Above all, in order to maintain momentum on REDD+, the main challenge will be to demonstrate how the features of REDD+ set it apart from approaches that have been used before.

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