

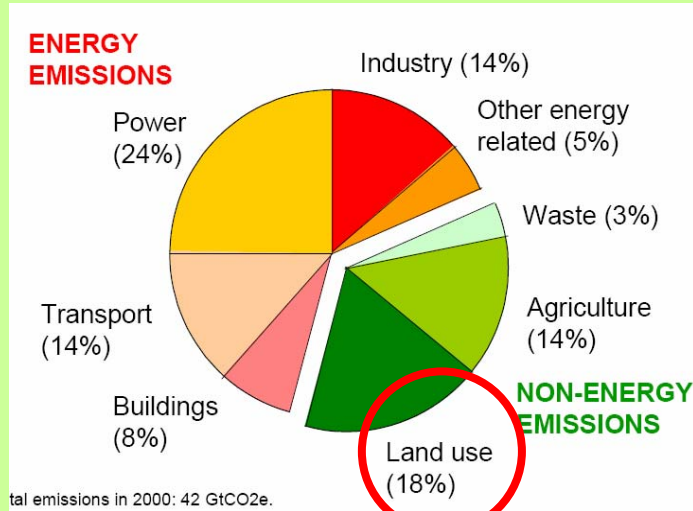
ICREI, Aix en Provence
June 23, 2008

Reducing emissions from tropical deforestation: Debate on the role of carbon markets

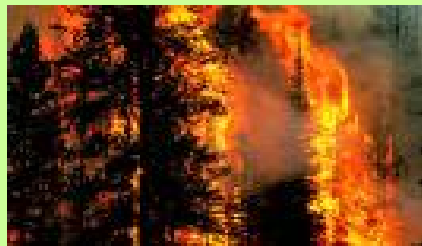


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Introduction



**Low cost reductions?
(Stern review)**



Developing countries
No reduction commitments



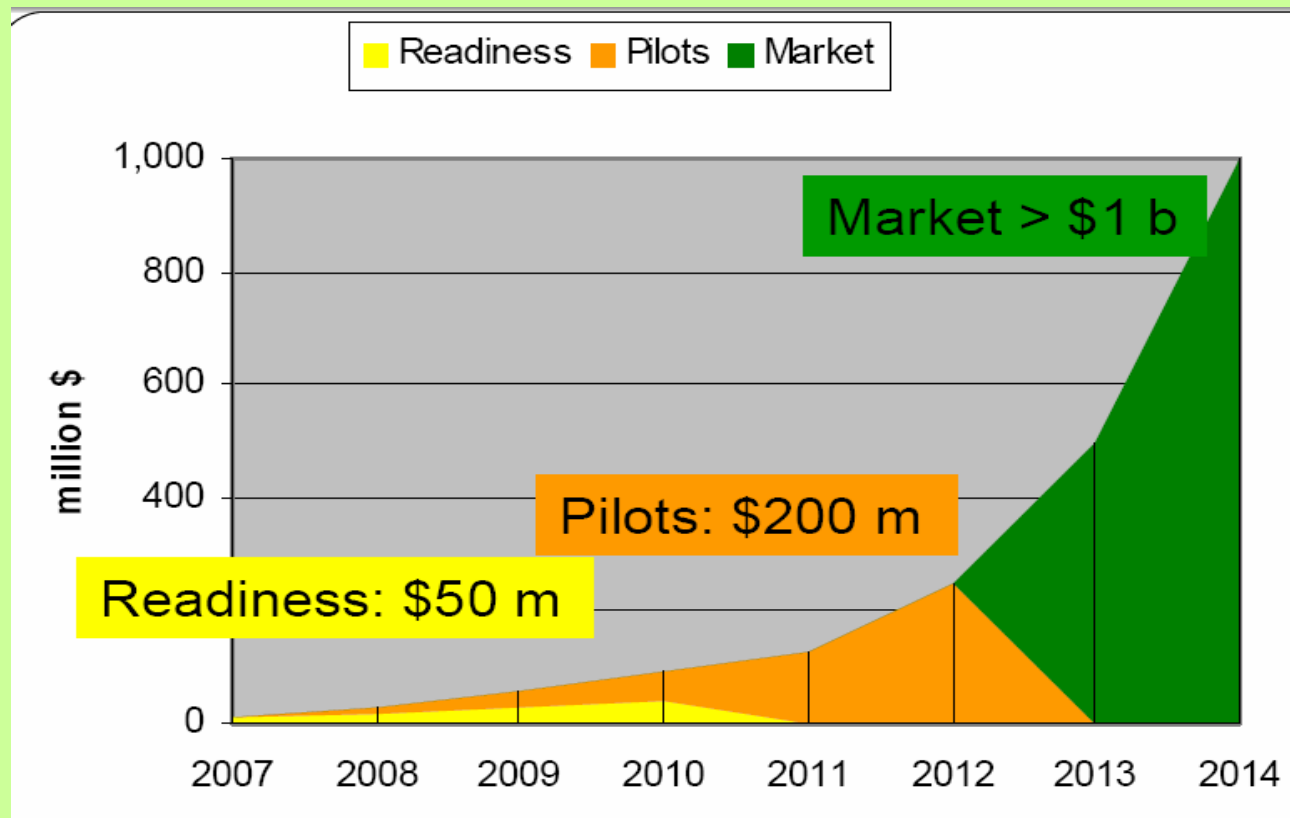
Annex 1 countries
(Europe, Japan, USA...) with GHG commitments

The global market appeal



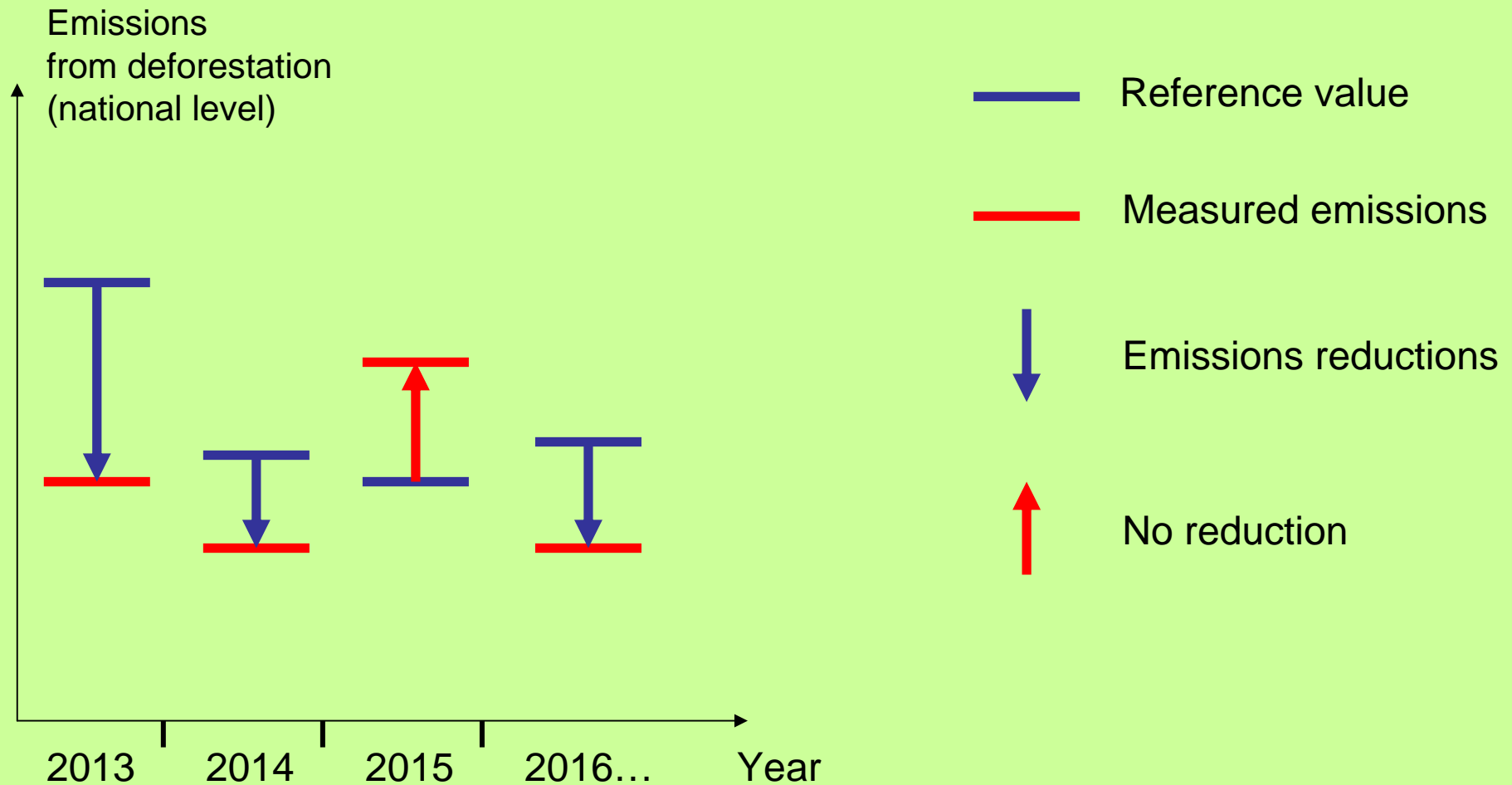
Initial steps towards global market approach

Strong support from World Bank, Coalition Rainforest Nations, brokers... (but not Europe, Brasil...), because initiatives to curb tropical deforestation have yielded poor results so far



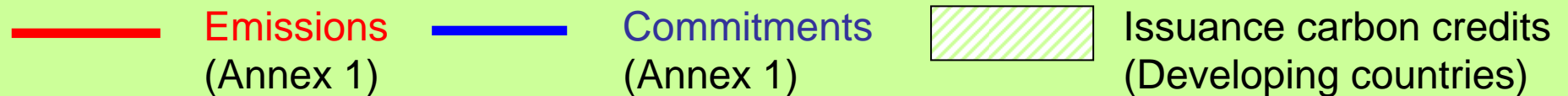
Market approach: what implications?

Implication 1: **Estimating emissions reductions** for carbon credits issuance

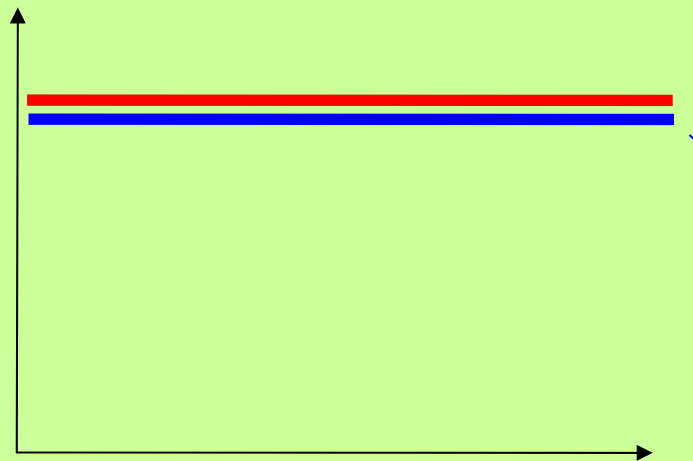


Market approach: what implications?

Implication 2: **Trading** REDD carbon credits to achieve **higher** Annex 1 commitments



Emissions

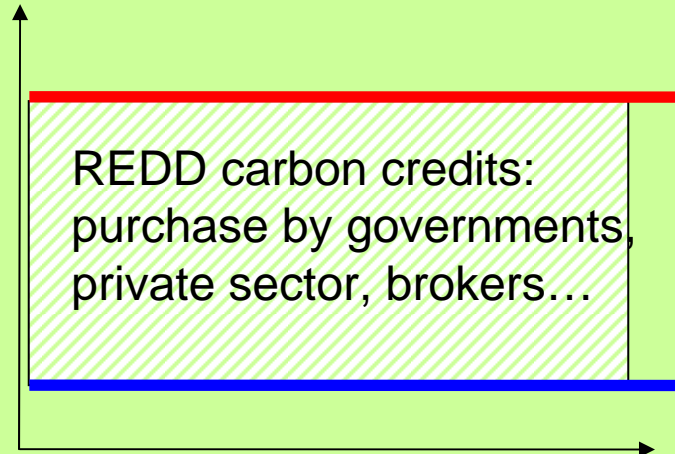


2013...

Time

Without REDD

Emissions



2013...

Time

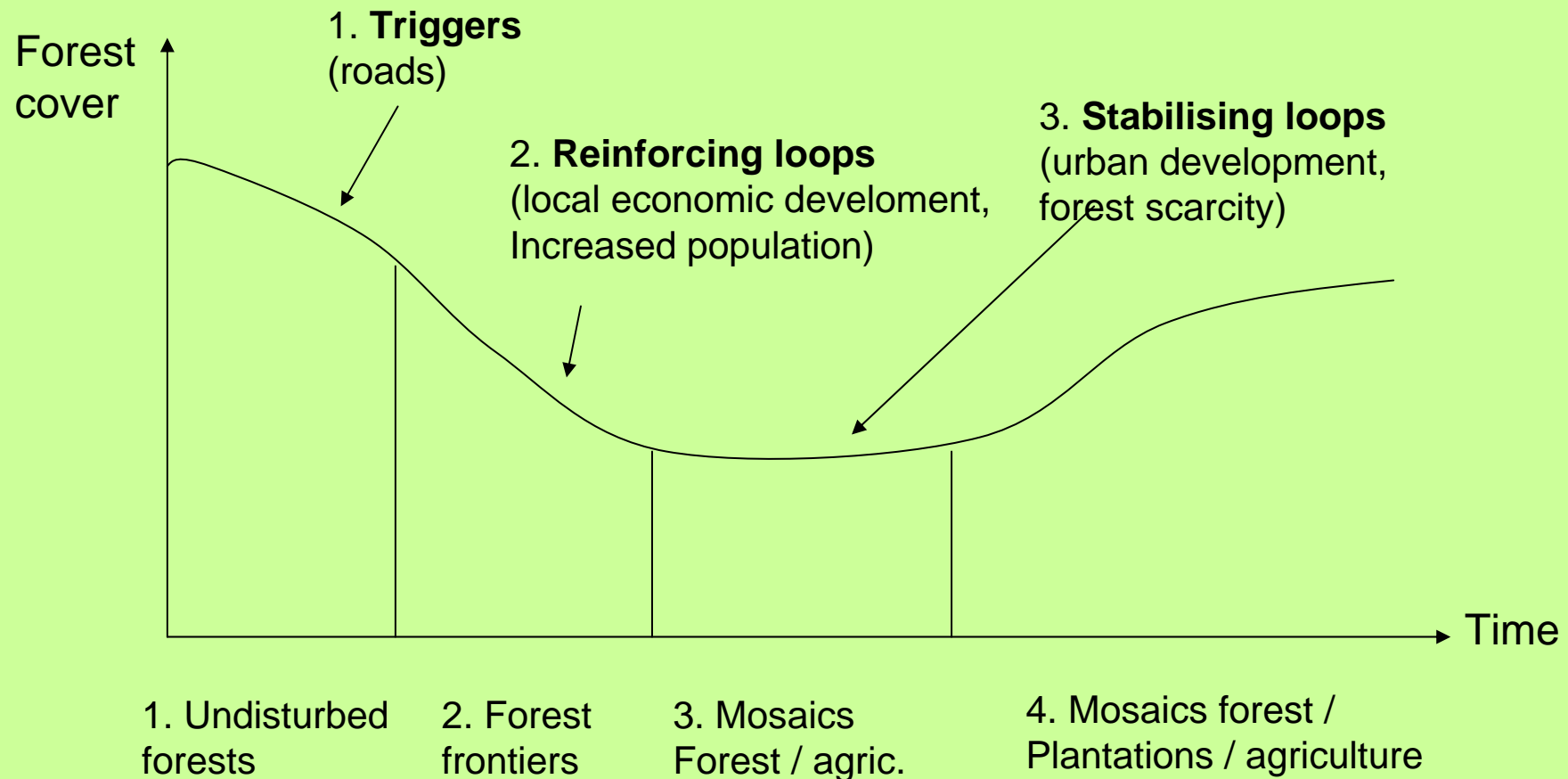
With REDD

Can we estimate emissions reductions?



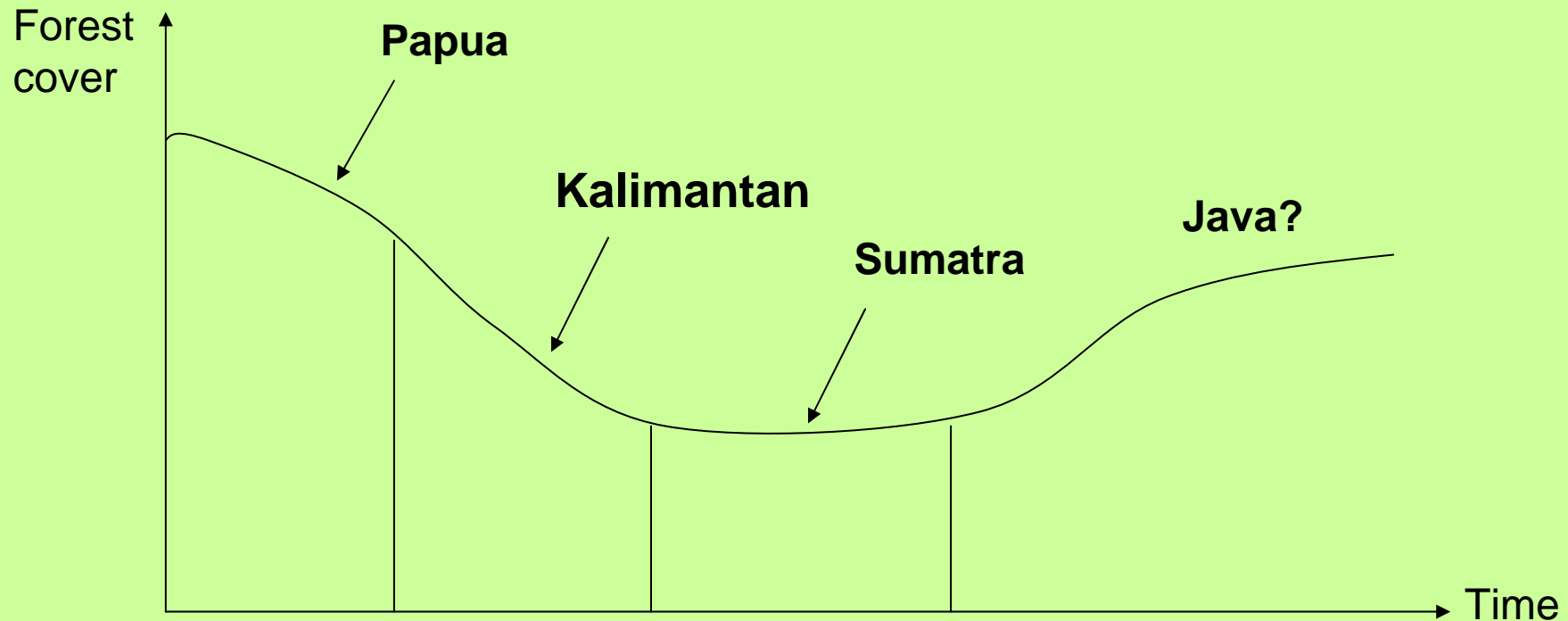
Can we estimate emissions reductions?

1. Forest transitions: underlying causes of deforestation



Can we estimate emissions reductions?

2. One country, multiple forest transitions at the same time



1. Undisturbed forests

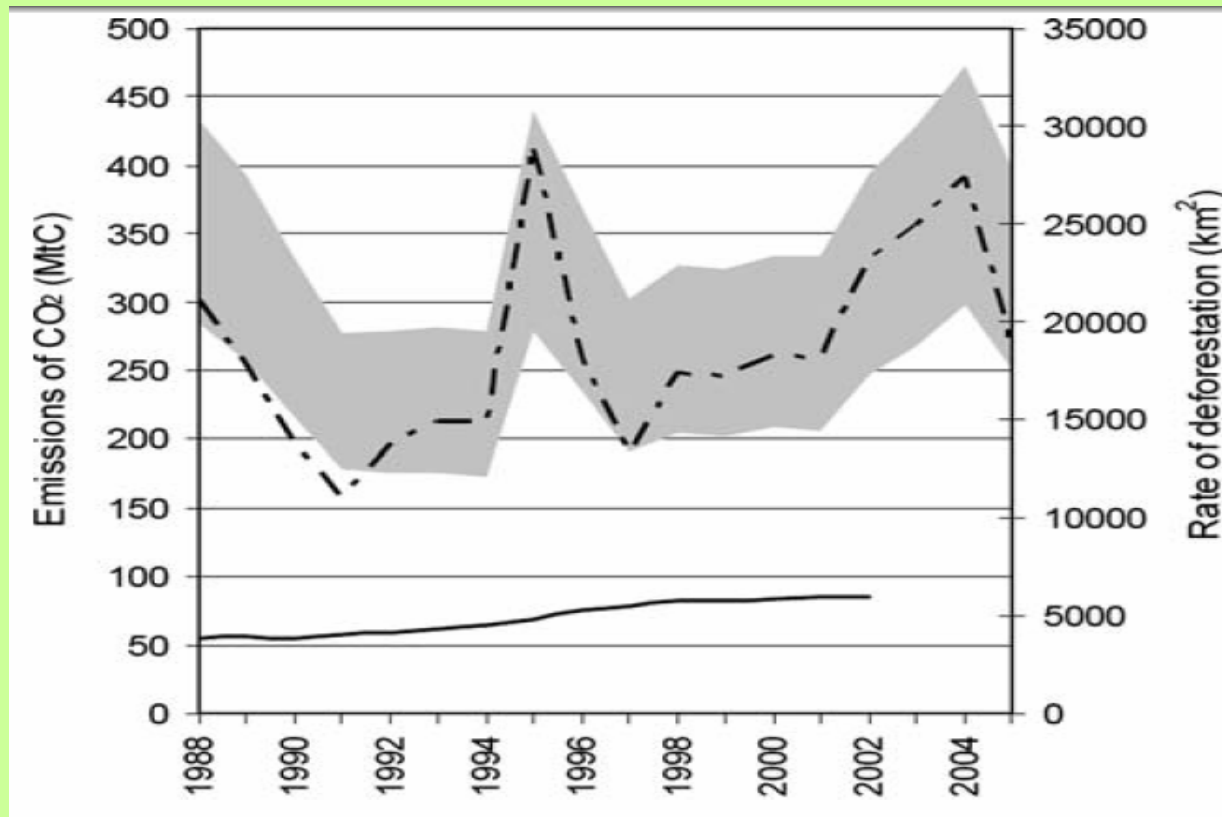
2. Forest frontiers

3. Mosaics Forest / agric.

4. Mosaics forest / Plantations / agriculture

Can we estimate emissions reductions?

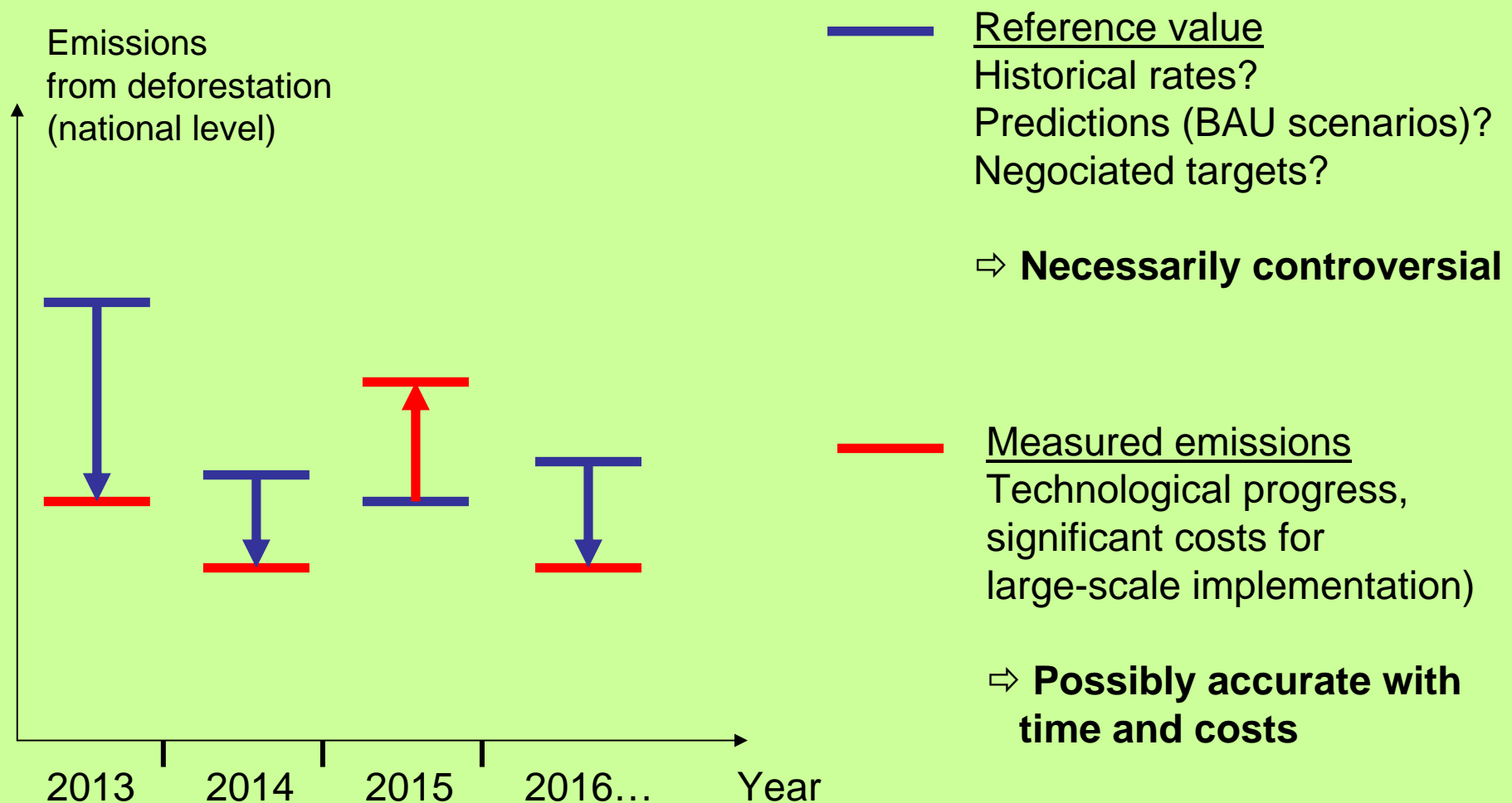
3. Deforestation is not only massive trends



Rate of deforestation in Brazil between 1998 and 2004

Can we estimate emissions reductions?

4. From technics to politics



Biased estimations: why is it a problem?

- Environmental integrity at stake
- An incentive for ... doing nothing?
- What relevance of performance-based system if...
... performance cannot be accurately assessed?

Yet, market paradigm is persistent... Why?

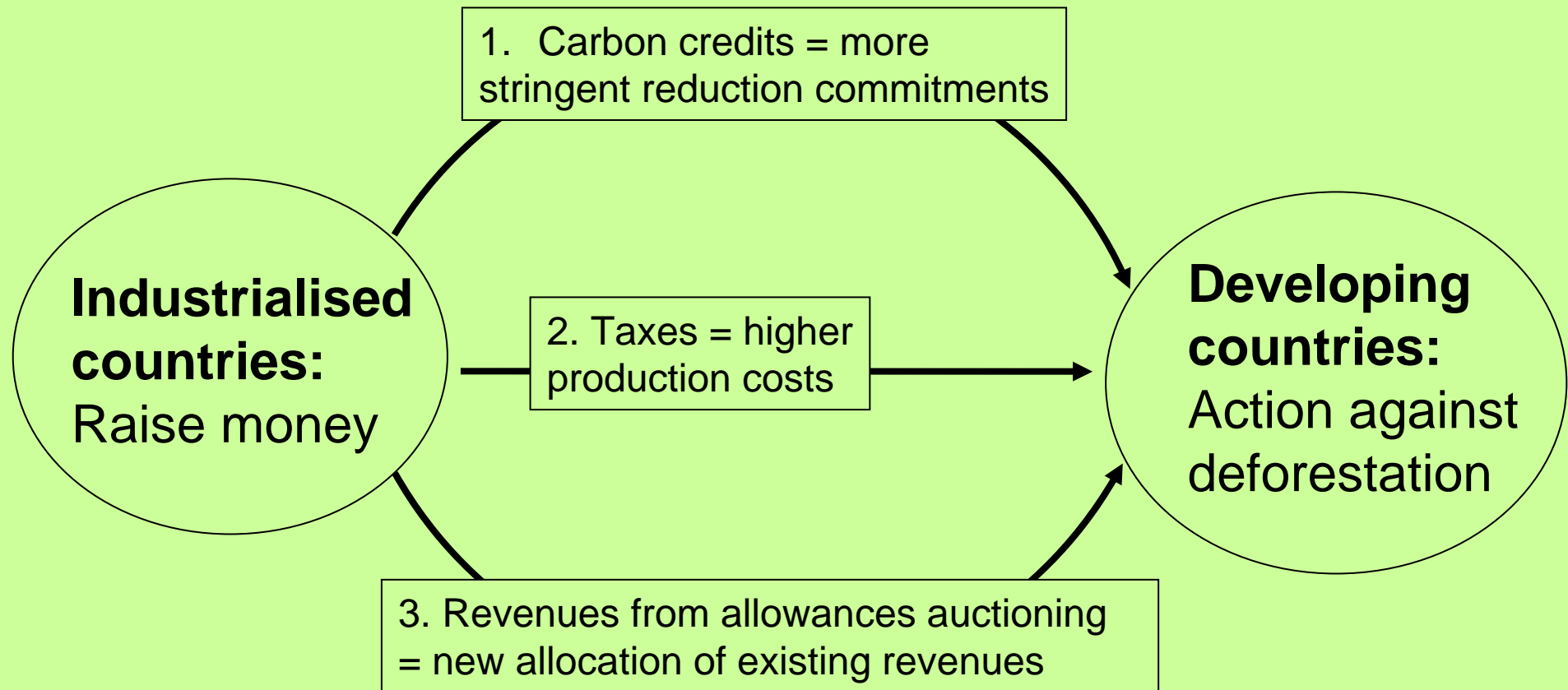


Yet, market paradigm is persistent... Why?

Two main arguments:

- **More financial resources** available for fight against deforestation
- More of the same recipe, **fungibility** with global carbon markets

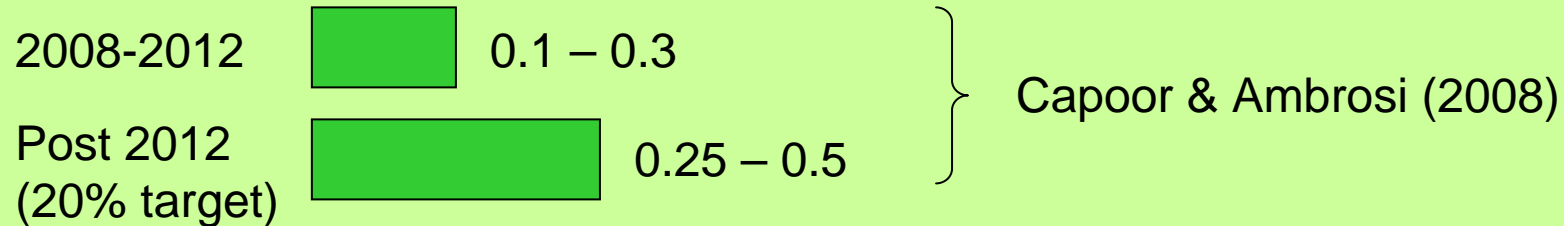
The « mystery » of carbon finance



Carbon finance schemes have similar total costs for A1 countries, but contrasted impact among economic agents

Fungibility issue: Supply / Demand balance

EU ETS: Traded volumes yearly (Billion tons CO₂-e)



REDD potential for carbon credit issuance yearly (Billion tons CO₂-e)

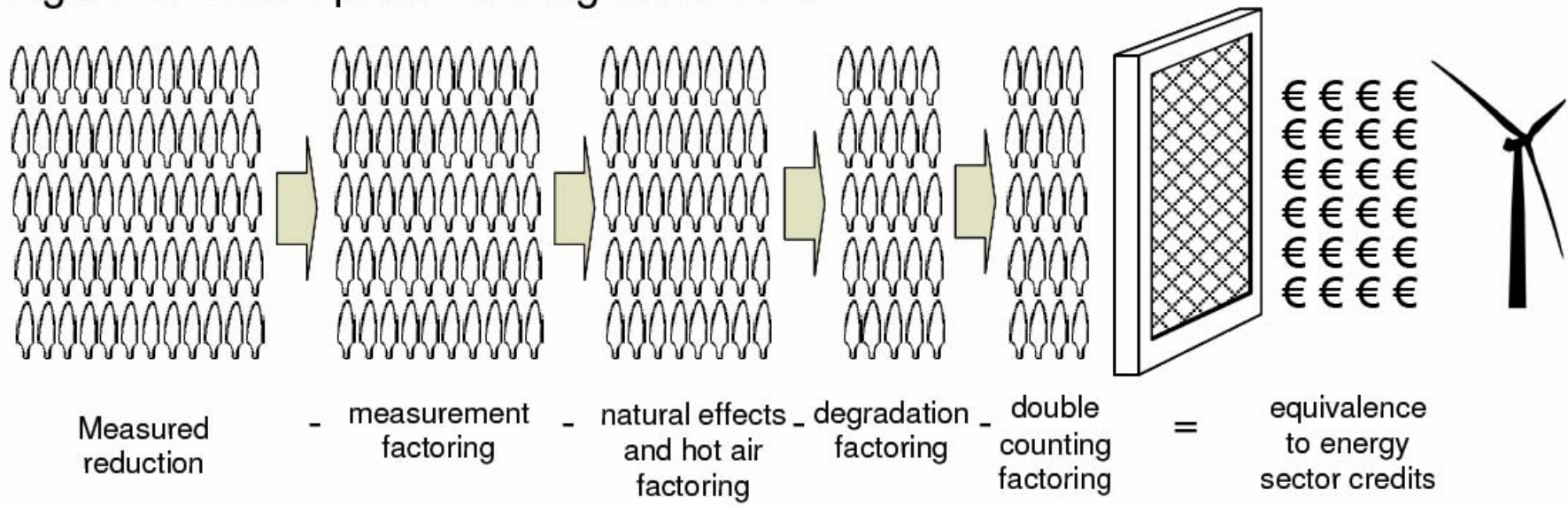


Risk of market destabilisation

Fungibility issue: Environmental integrity

How to account for REDD credits' specificities?

Figure 1: Conceptual Gearing Illustration



No easy task...

Last remarks

- Strong political decisions expected on raising finance for REDD (particularly European leadership)
- Emerging consensus on difficulty to estimate emission reductions: market fungibility generates more risks than solutions
- Need for innovative methods to assess results of Policies & Measures
- Hybrid mechanisms are a promising solution to attract private investments in PES schemes