

Alternative models for carbon payment to communities under REDD+: a comparison using the Polis model of actor inducements

Opportunity Costs of REDD+ workshop
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*Based on a paper by Margaret Skutsch, Ben Vickers, Yola Georgiadou and Mike McCall in the Journal of Environmental Science and Policy (ESP), Vol 14, Issue 2, pp 140-151
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On what basis should communities be paid for carbon?

- Under REDD+ there should be provision for rewards both for
 - Decreases in rates of deforestation and degradation
 - Increases in forest stock (forest enhancement) due to sustainable management practices

- Internationally, REDD+ payments are strongly output based (i.e. payments on basis of tonnes CO₂ equivalent achieved)
- But within national REDD+ programmes payments do not necessarily have to be on this basis.



Payment model options include

- ❑ **Output** based i.e. performance rewards, tons CO₂ eq/ha
- ❑ **Input** or surrogate input based: i.e. for the work involved in management, or assumed work input
- ❑ **Opportunity cost** based: i.e. reflecting and (partially) compensating the sacrifices made by foregoing alternative uses of the forest
- ❑ Most existing PES systems are surrogate input based (involving flat rate payment per ha)
 - In return for implementation or observation of certain management codes
 - There may or may not be monitoring ex post to check compliance
 - Contrary to 'performance based' ideology



Is PES really a market system?

- More like a public policy inducement
 - Stone's (2002) Polis model of public policy inducements
- Analyse payment options as inducements, with the following considerations
 - The producers and the buyers may not behave as they would in a 'true' market
 - There are many opportunities for collusion (e.g. to overstate the production level)
 - Intermediaries are often the driving force, also in the collusion
 - The character of the commodity may have different meanings for the producers and the buyers
 - Does not necessarily have to be voluntary

Output based payment for community forest management

- ❑ Links directly to country's REDD+ accounting system
- ❑ Transparent basis for payments
- ❑ Should stimulate production (of carbon credits), based on market theory
- ❑ Payments made ex post on actual achievements
- ❑ Freedom for community to make its own management decisions

Input based payment

- ❑ Management for a variety of benefits not just carbon, which may reflect community values, needs and concepts better
- ❑ Management rules/conditions are usually imposed from outside (perhaps in consultation)
- ❑ Assumptions about carbon impacts of the management regime may be unfounded (slippage)
- ❑ Payments would have to be conservative in carbon terms

Opportunity cost payment

- ❑ Usually associated with deforestation rather than degradation
- ❑ Would require an economic analysis of each management unit individually
- ❑ Should provide greatest efficiency, as 'low-hanging fruit' can be targeted
- ❑ Thus could reach the most marginalised communities first

Four sets of actors

- ❑ International buyers (´givers´)
- ❑ National decision makers (who plan the programme, but also act as intermediate buyers)
- ❑ Intermediary organisations (technical; NGOs, academics, local government agencies)
- ❑ Producers (´targets´) i.e. the communities

Results of analysis

- ❑ *If* buyers are interested only in efficient carbon production, they would opt for the opp. cost model *but in many cases they have wider interests which are not well represented in this model (biodiversity, etc)*
- ❑ The output based system will be a political quagmire for national governments as they will not be able to reward communities who have conserved forests well in the past;
- ❑ A flat rate system based on management inputs would enable the state to pay a *lower* reward to more communities, including the 'non-additional' ones
- ❑ The opp.cost model will involve very high political transaction costs for national governments (individually negotiated prices for each community; vulnerable to corrupt practice and lack of transparency)



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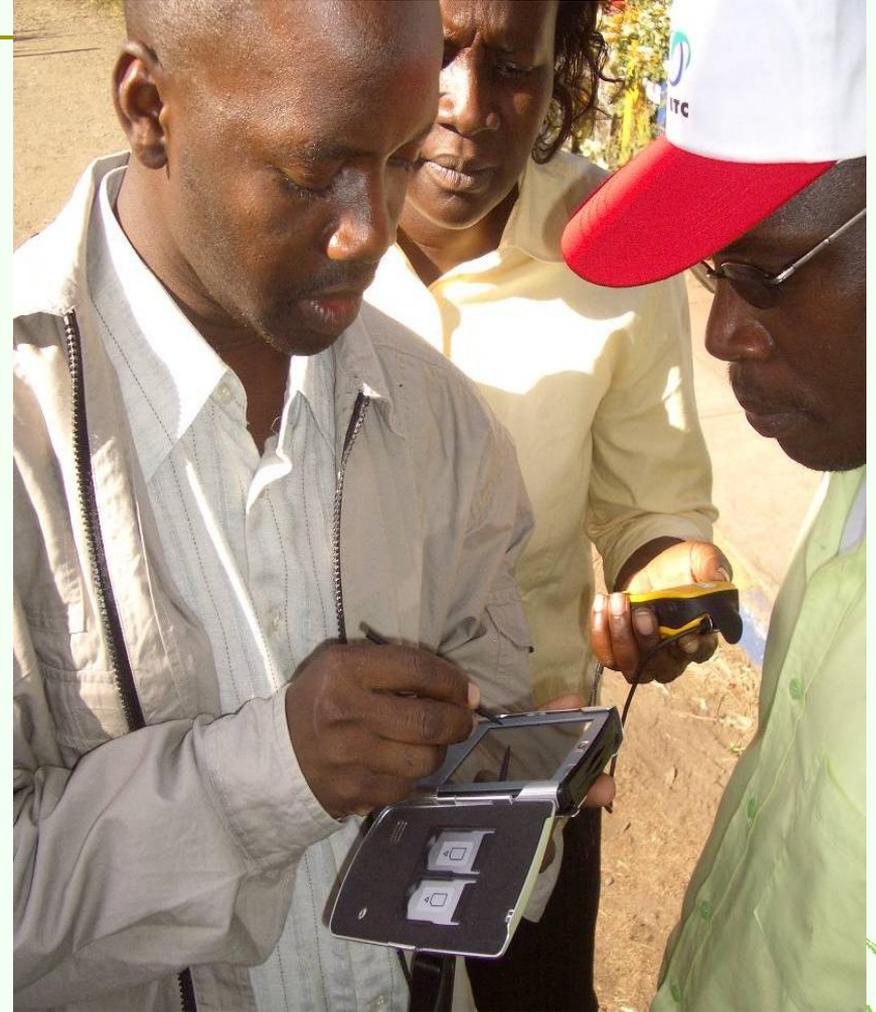
- ❑ Flat rate surrogate input systems have lowest transaction costs and most transparency as far as national governments are concerned
- ❑ Flat rate input systems also likely to suit local communities best; payoff may be lower than output based, but is secure and known quantity.
- ❑ Flat rate systems and opp.cost systems are less liable to collusion between buyers and producers than output based systems
- ❑ But do not provide the 'stimulus' given by output based systems



Equity implications:

- ❑ Opportunity cost models should bring in the low cost possibilities first, which may be communities with fewest alternatives (thus the most marginal, poorer)
- ❑ *But* in reality such communities may not have the negotiating skills/capacity to capture this; richer communities already engaged in market economy may jump in more quickly
- ❑ Output based payment systems imply an ability to take risks (and involve ex post payment), hence likely not to benefit poorer communities who may be risk averse.
- ❑ Input based flat rate systems make entry more easy for communities with less business acumen.

Payment for carbon accounting – a form of input-based payment



Necessary conditions

- ❑ Success of all payment systems depend on level of control that communities have over forests
- ❑ Output-based systems possible only where autonomy of decision-making is strong
- ❑ Input-based payments (for carbon accounting) are possible even where tenure and use rights are not secure
- ❑ Overall benefits to communities must be greater than in without-REDD scenario
 - opp. cost calculation is essential, even if not as a basis for payment
- ❑ In many cases where autonomy is strong, this may be difficult to achieve (c.f. Nepal CF). Continuing controlled off-take is essential
- ❑ Carbon rights clarity
 - Absolutely crucial in an output-based system
 - For input-based and Opp cost-based systems carbon credits are not necessarily traded

Conclusion

- ❑ Mix of payment systems is necessary
- ❑ The more secure communities feel in their existing rights, the higher proportion of payments can be input-based
- ❑ Input-based payments reduce transaction costs of REDD+ programs





Thank You

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