



Fitting Opportunity Cost Analysis in the REDD+ Preparation Process

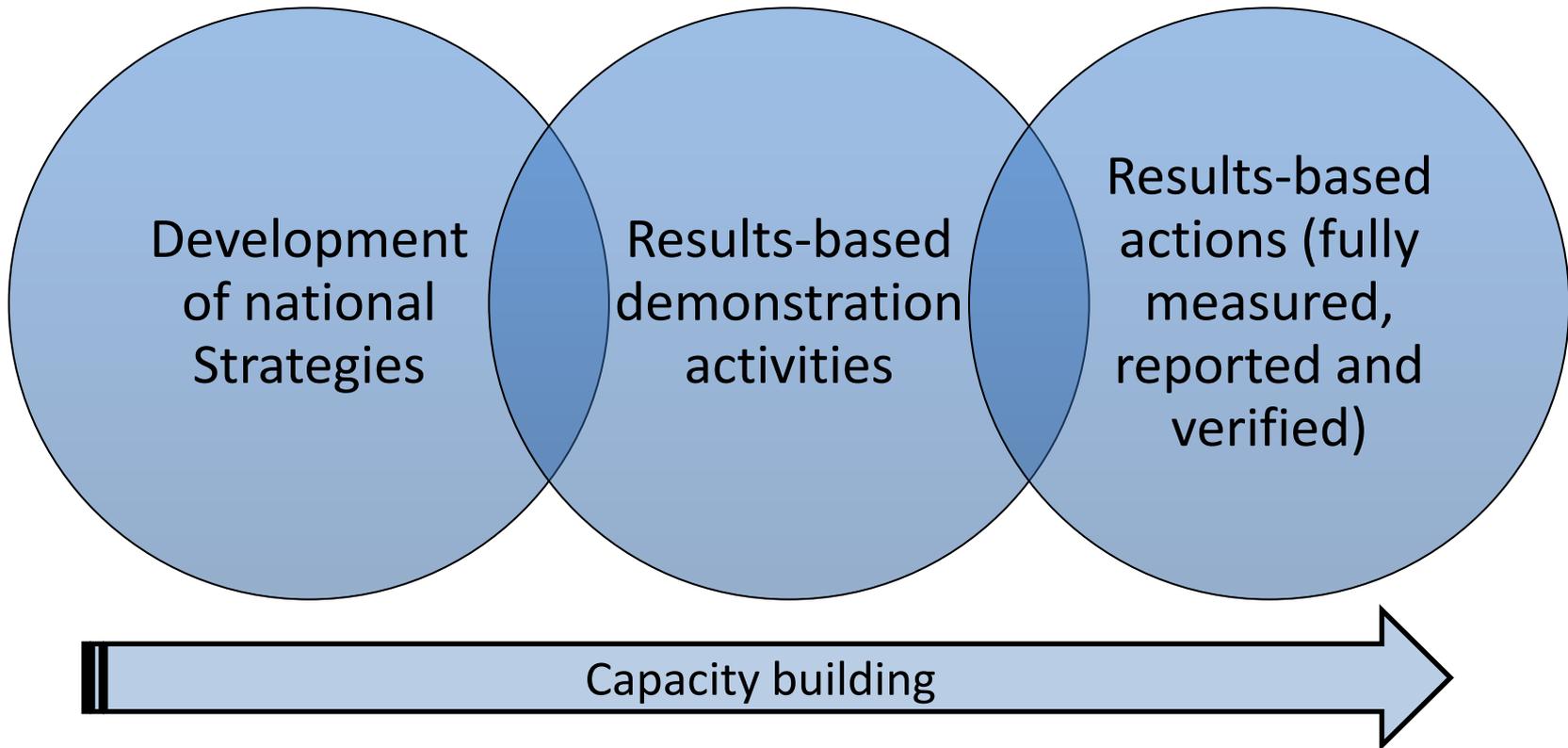
Alexander Lotsch

World Bank, Forest Carbon Partnership Facility

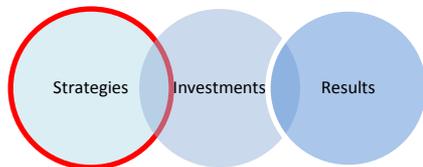
“Estimating the Opportunity and Implementation Costs of REDD+ for
the National Planning Process”

Bangkok, April 25-29, 2011

Three Phases of REDD+



The Phases of REDD+: Readiness

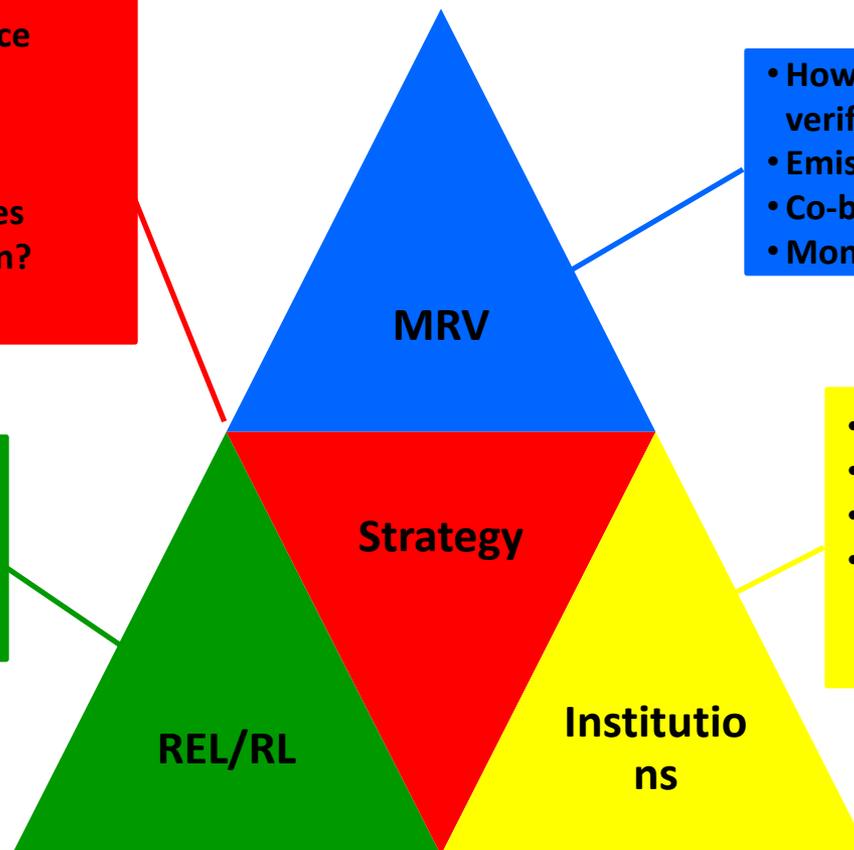


- Where, when, how to reduce emissions?
- At what cost?
- Who participates?
- Rights of indigenous peoples
- Who has right to the carbon?
- How to share benefits?

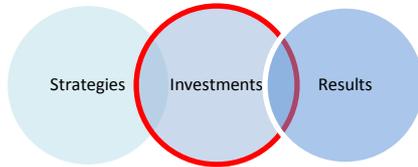
- Against what baseline?
- Past and/or future?
- National, jurisdictional?

- How to measure, report and verify?
- Emission reductions
- Co-benefits
- Monitoring costs?

- Who manages REDD+?
- National government
- Sub-national governments
- Representation of indigenous peoples, civil society, private sector



The Phases of REDD+: Investments



- Better zoning
- Renewable energy

Energy

Forestry

- Better zoning of plantations
- Enforcement of conversion bans
- Reduced impact logging
- Community forestry

Agriculture

- Improve planning and extension
- Removal of subsidies
- Increase productivity

REDD+

Tourism

- Impact assessments
- Ecotourism

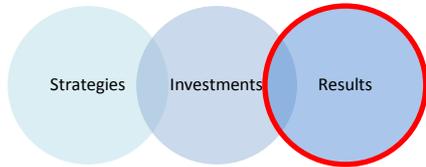
Transportation

- Better zoning and impact assessments of road projects
- Development of rail links

How Can REDD+ Readiness Process Contribute to Low Carbon Development Strategies?

- Encourage cross-sectoral national REDD management structure
- Provide early methods for reference scenario setting for forest cover change over time: historic and future
- Share design for MRV (measurement, reporting and verification) of REDD+
- Nest REDD+ within a broader vision of national development, reached via consensus process

The Phases of REDD+: Results



- Reduction of deforested area
- Introduction of SFM techniques in given areas
- Effectively protected areas

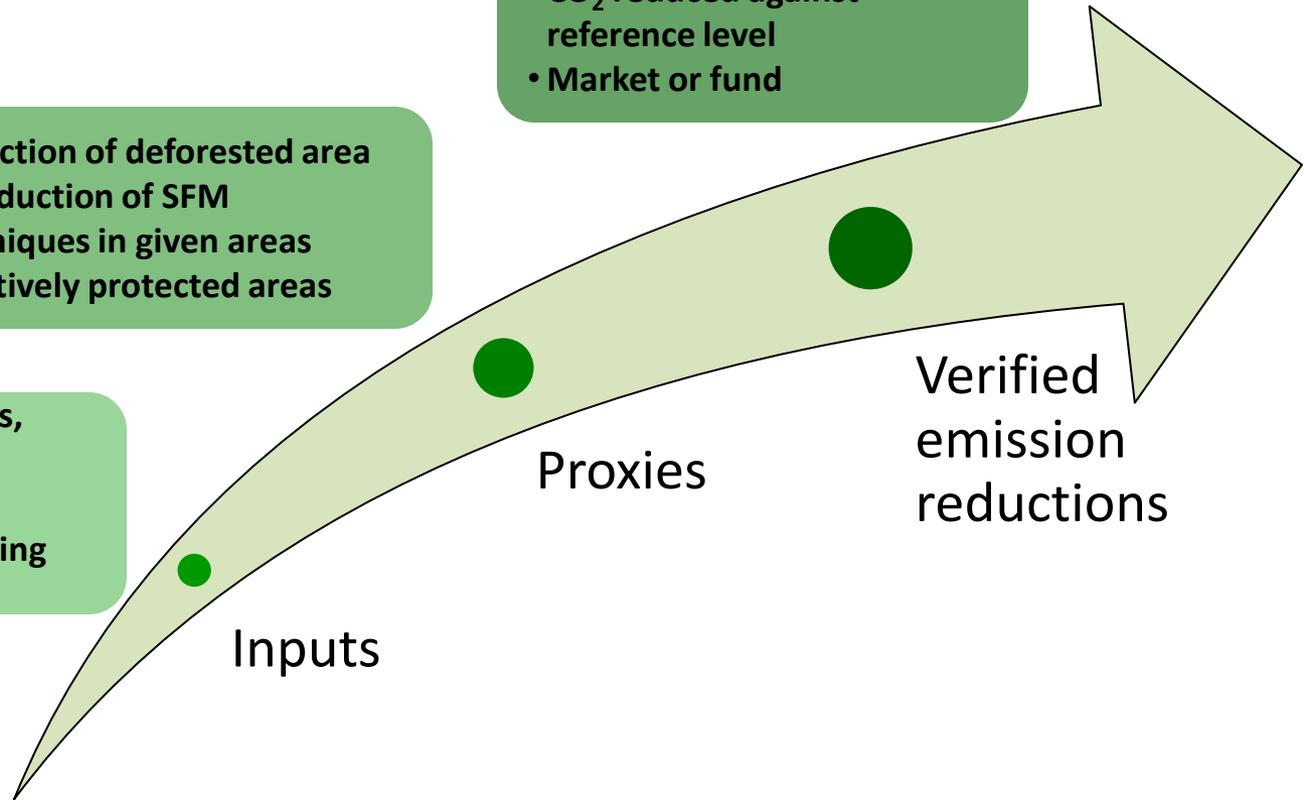
- Payments for verified tons of CO₂ reduced against reference level
- Market or fund

- Adoption of policies, laws, regulations
- Creation of institutions
- Development of monitoring systems

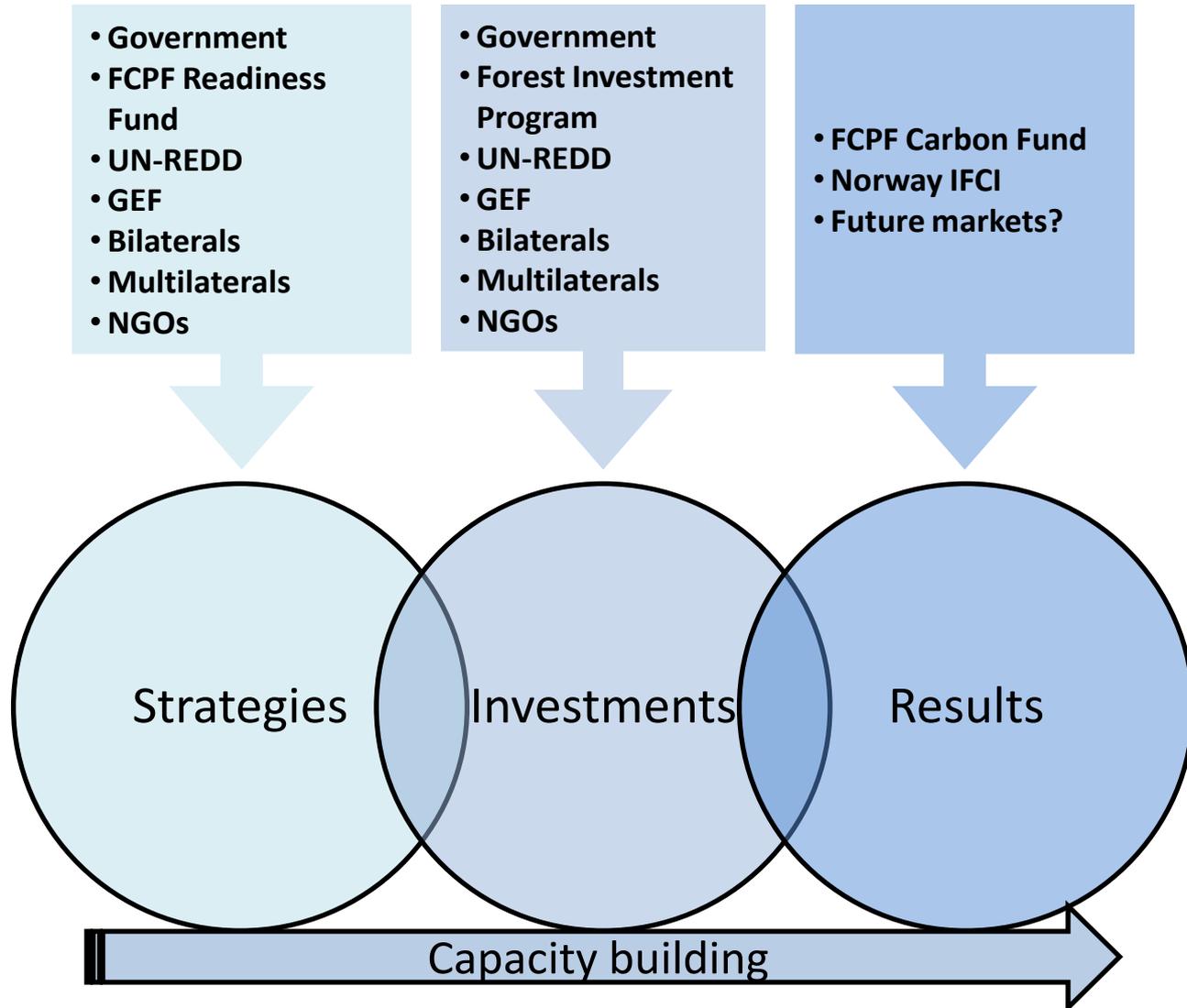
Inputs

Proxies

Verified emission reductions



Financing Sources for REDD+



FCPF Carbon Fund: Piloting Subnational REDD Emissions Reductions

Objective: Fund seeks to support emissions reduction programs that:

- Pilot **performance-based payments** for high-quality, sustainable Emission Reductions from REDD, including social and environmental benefits
- Promote future **large-scale incentives** for REDD (e.g., at administrative jurisdiction scale)
- Are consistent with emerging compliance **standards** under the UNFCCC and other regimes
- Use clear **mechanisms** so incentives for REDD+ reach those who need them, and transparent stakeholder **consultations**
- For **sub-national ER programs**, are consistent with emerging national REDD+ strategy, national REDD+ monitoring system, REL/RL; and assess and minimize risk of leakage

Core Components of REDD Readiness

Contents of Readiness Preparation Proposal (R-PP):

Component 1: Organize and Consult

- 1a. National Readiness Management Arrangements
- 1b. Information Sharing and Early Dialogue with Key Stakeholder Groups
- 1c. Consultation and Participation Process

Component 2: Prepare the REDD+ Strategy

- 2a. Assessment of Land Use, Forest Policy and Governance
- 2b. REDD+ Strategy Options
- 2c. REDD+ Implementation Framework
- 2d. Social and Environmental Impacts

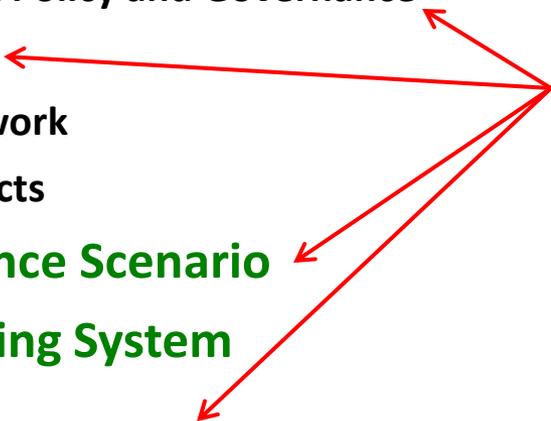
Component 3: Develop a Reference Scenario

Component 4: Design a Monitoring System

- 4a. Emissions and Removals
- 4b. Other Benefits and Impacts

Component 5: Schedule and Budget

Costs

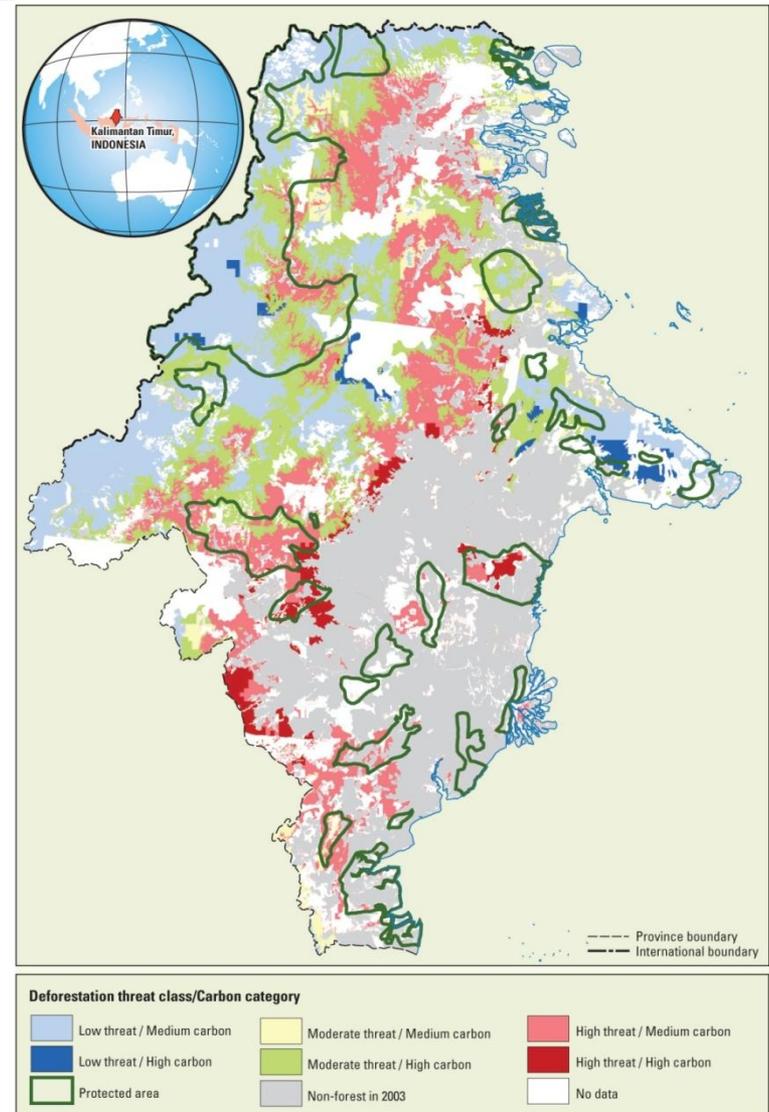


Reference Emissions Levels and Reference Levels

- REL/RL will determine how much abatement a country can deliver and at what cost
- Arriving at a national REL/RL is a combination of technical studies and negotiations
- Cancun: SBSTA work program to define modalities – will take time
- National circumstances

REDD+: A Targeting Problem

- **Overlaying Dynamic Land Use, Benefits & Governance To Find Optimal Interventions**
- **Priority Areas: Unprotected and at high risk of deforestation, with high carbon stocks**
 - Barriers to implementation?
 - Governance concerns?
 - Capacity building and investment needs?
 - Economic, social, environmental risks?
- **REDD Opportunities Vary by Opportunity Cost (OC) of Land, Carbon Density, and Threat of Deforestation**



Costs of Readiness Are Increasing

Components of RED Readiness Preparation Proposals (R-PP)	FCPF 2008 Estimate (Average, in '000)	Eliasch 2008 Estimate: High (in '000)	FCPF 2010 Average Estimates for 11 National R-PPs ('000)
REDD management and consultations	\$890	\$2,000	\$2,301
Develop REDD strategy	\$450	\$1,000	\$4,062
REDD implementation framework	\$341	\$1,500	\$877
Environmental and social impacts assessment	\$50	—	\$377
Develop reference scenario	\$516	\$4,000	\$1,457
Design REDD MRV system	\$1,008	—	\$5,740
TOTAL (without annual MRV costs)	\$3,250	\$8,500	\$13,661

Sources: Countries included in the FCPF 2010 estimate are : Argentina, Costa Rica, Panama, Mexico, Guyana, Indonesia, Nepal, Ghana, Republic of Congo, Kenya, and Democratic Republic of Congo.

Insights from REDD Readiness

- **Countries embark in REDD+ readiness from different starting positions, reflecting their unique conditions and history**
 - No cookie-cutter approach; each country has to find its own way
 - Facilitate cross-fertilization
- **Transparent consultations with major stakeholders offer promise of REDD+ becoming more equitable and sustainable**
 - REDD+ takes time and requires changes in attitudes
 - Tough, but fundamental changes are needed
- **Preparation for readiness is a multi-step process requiring (Define strategic options, find institutional arrangements, design of delivery and MRV systems)**
 - REDD+ readiness will take time
 - Projects, investments happen before 'REDD+ readiness' is reached
- **REDD+ fits into an emerging national, low-carbon development strategy**
 - Not simply a forestry sector project

Take home message

- **OCA is one of many tools**
 - Economic analysis thus far has not played a major role in REDD readiness
 - Becomes more relevant as countries enter REDD preparation phase (i.e. after planning/R-PP stage) and develop early emission reduction programs (e.g. for Carbon Fund)
- **There are many other costs considerations to advance (or abandon ...) REDD+, OC are only one factor**
- **OCA interfaces with several elements of REDD readiness**
 - Strategy development, REDD+ options
 - Assessment of Land Use and Forest Policies
 - MRV and REL/RL
 - Capacity building
 - Co-benefits