



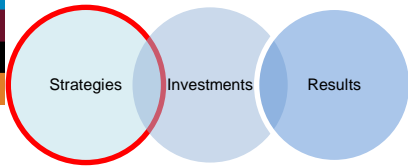
Forest Carbon Partnership Facility

An update to the FCPF

André Aquino
Africa Environment Unit of the World Bank

Estimating Opportunity Costs of REDD+ Workshop
November 22 to 25, 2010
Arusha, Tanzania

The Phases of REDD+: Readiness

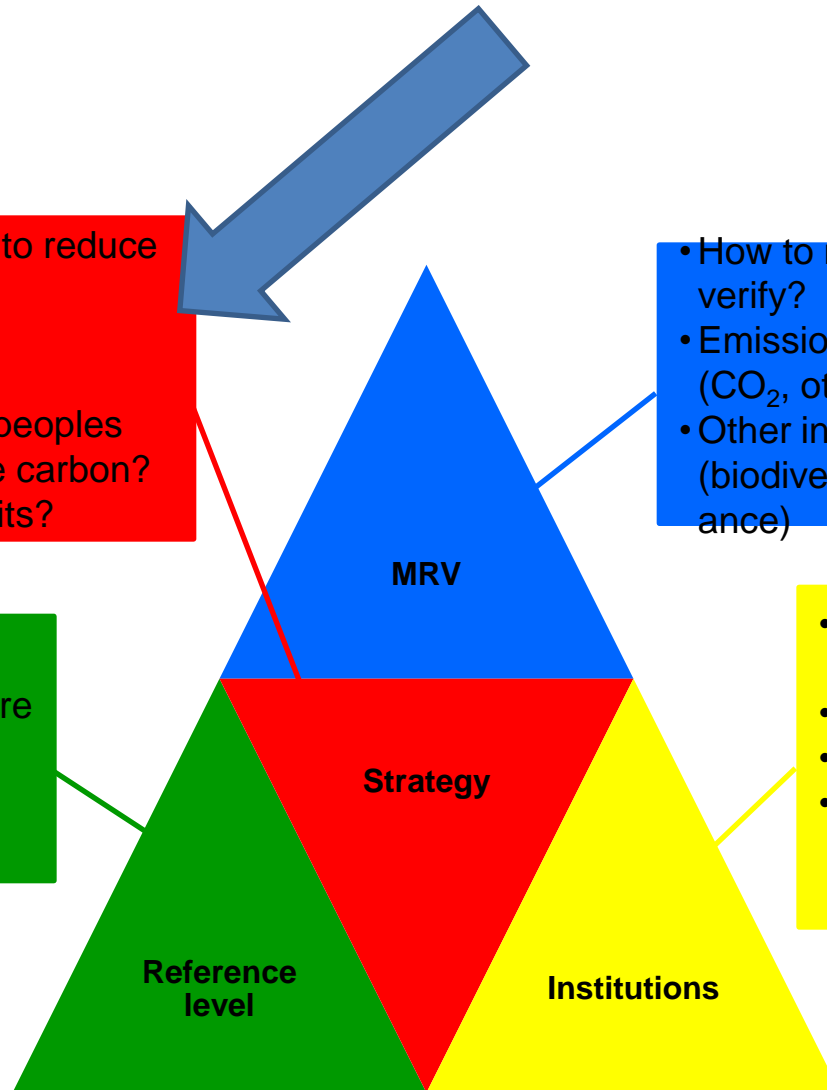


- Where, when, how to reduce emissions?
- At what cost?
- Who participates?
- Role of indigenous peoples
- Who has right to the carbon?
- How to share benefits?

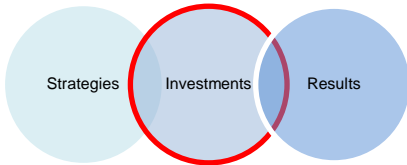
- How to measure, report and verify?
- Emission reductions (CO₂, other GHG)
- Other indicators (biodiversity, welfare, governance)

- What is the baseline against which emission reductions are recorded?
- Past (Brazil) and/or future projection (Costa Rica)?

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



The Phases of REDD+: Investments



- Better zoning and impact assessments of hydroelectric developments
- Development of wind/solar energy

Energy

Forestry

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

Agriculture

- Better zoning of crops
- Enforcement of conversion bans
- Removal of subsidies
- Intensification of yields

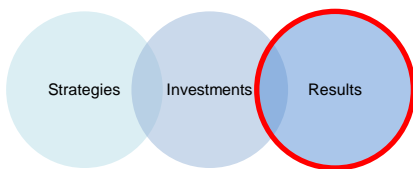
Tourism

- Better zoning and impact assessments of tourism developments
- Ecotourism

Transportation

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

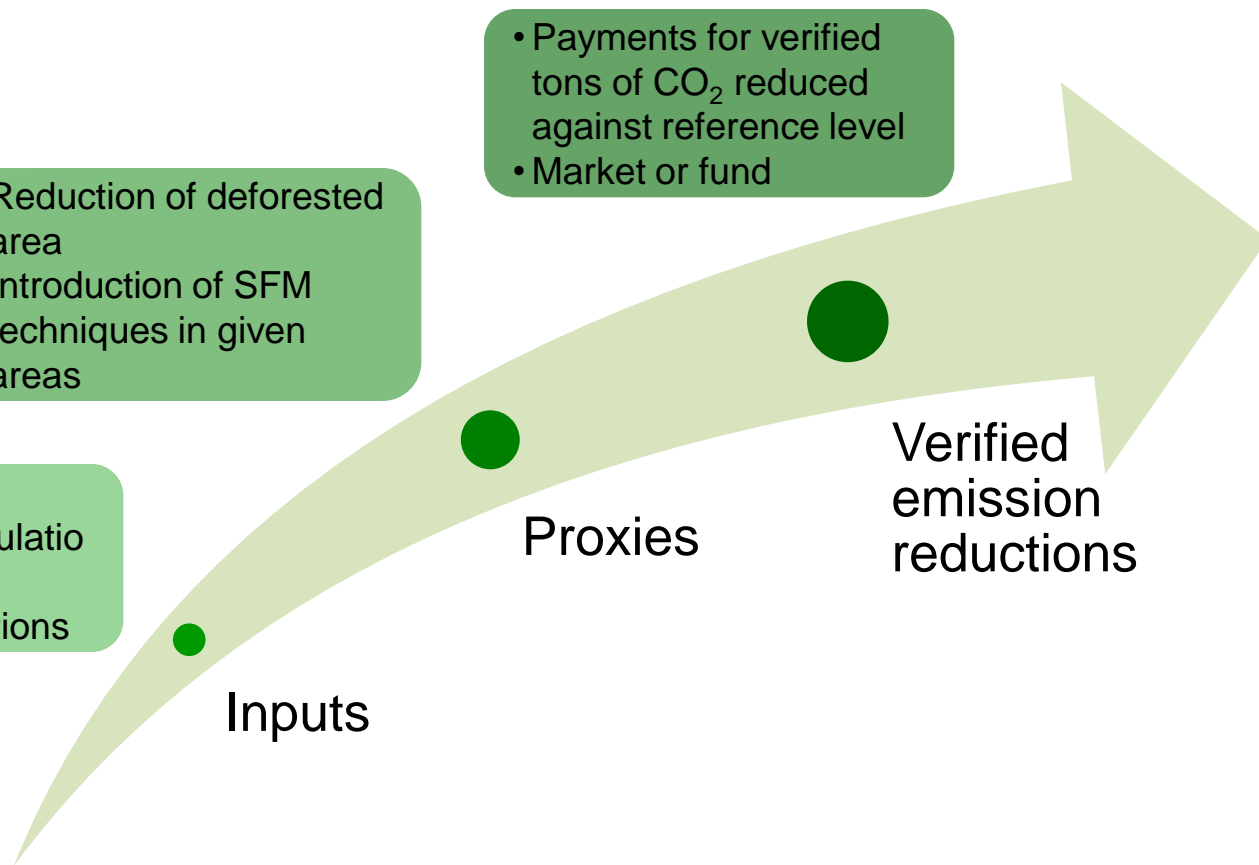
The Phases of REDD+: Results



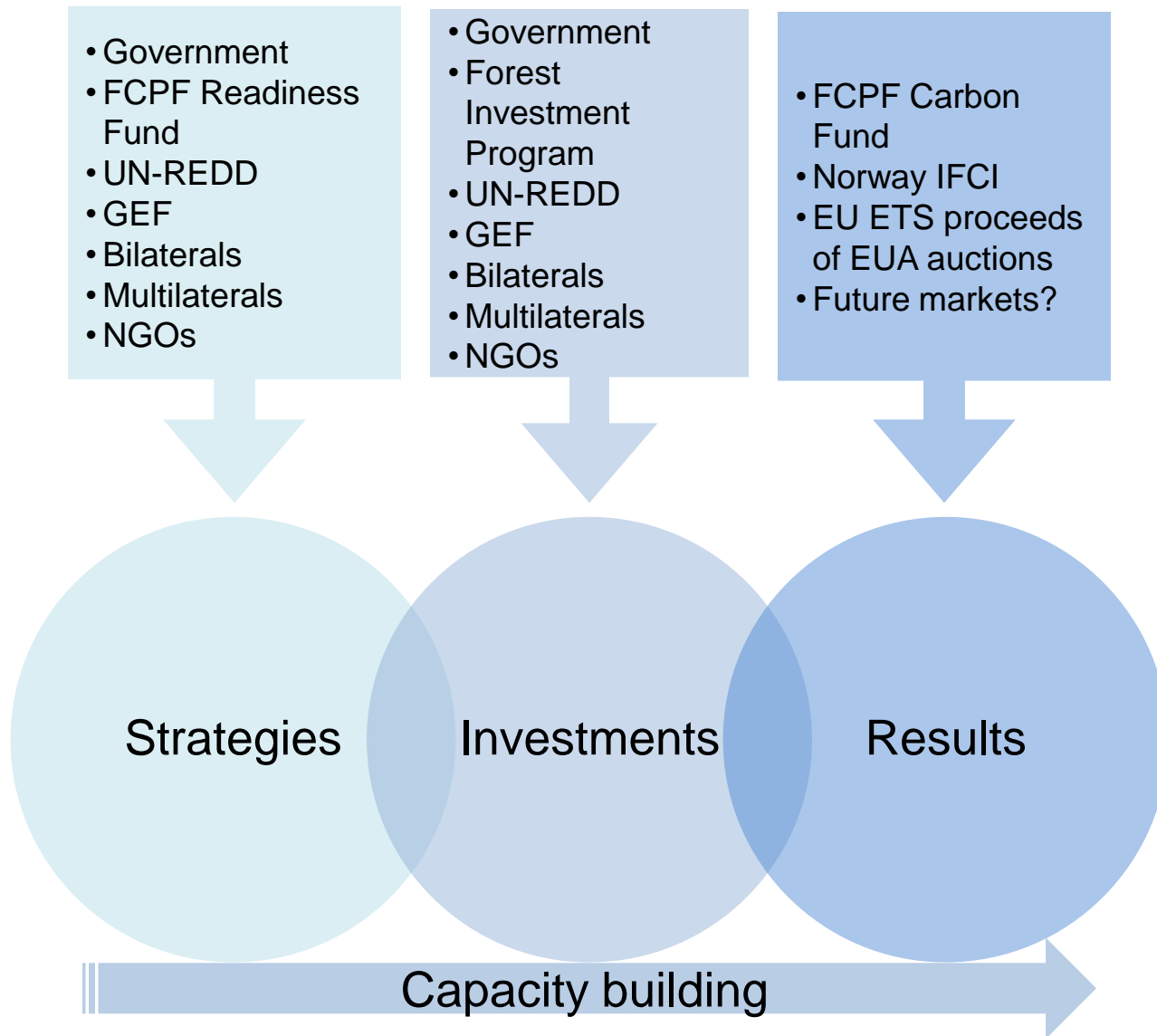
- Reduction of deforested area
- Introduction of SFM techniques in given areas

- Adoption of policies, laws, regulations
- Creation of institutions

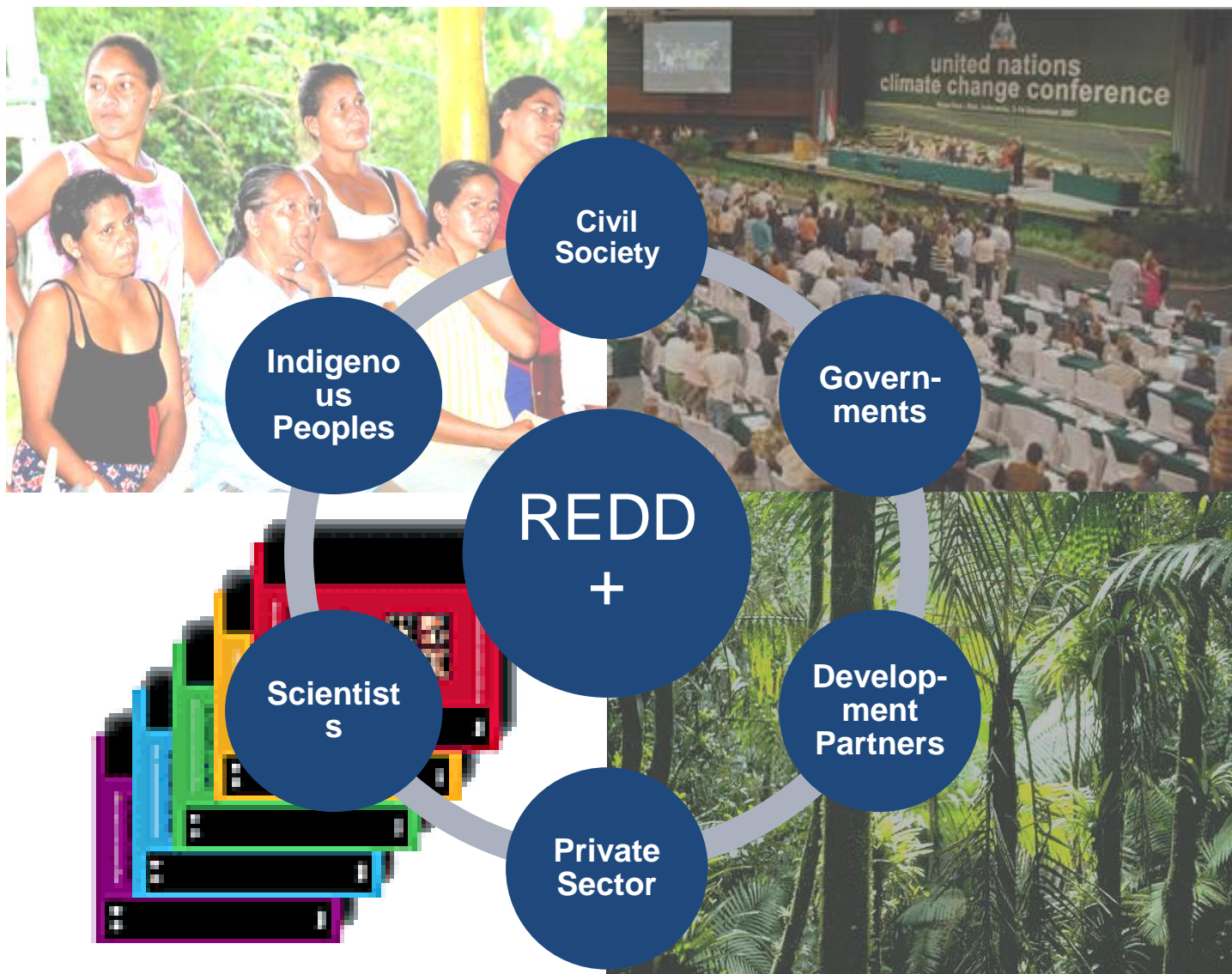
- Payments for verified tons of CO₂ reduced against reference level
- Market or fund



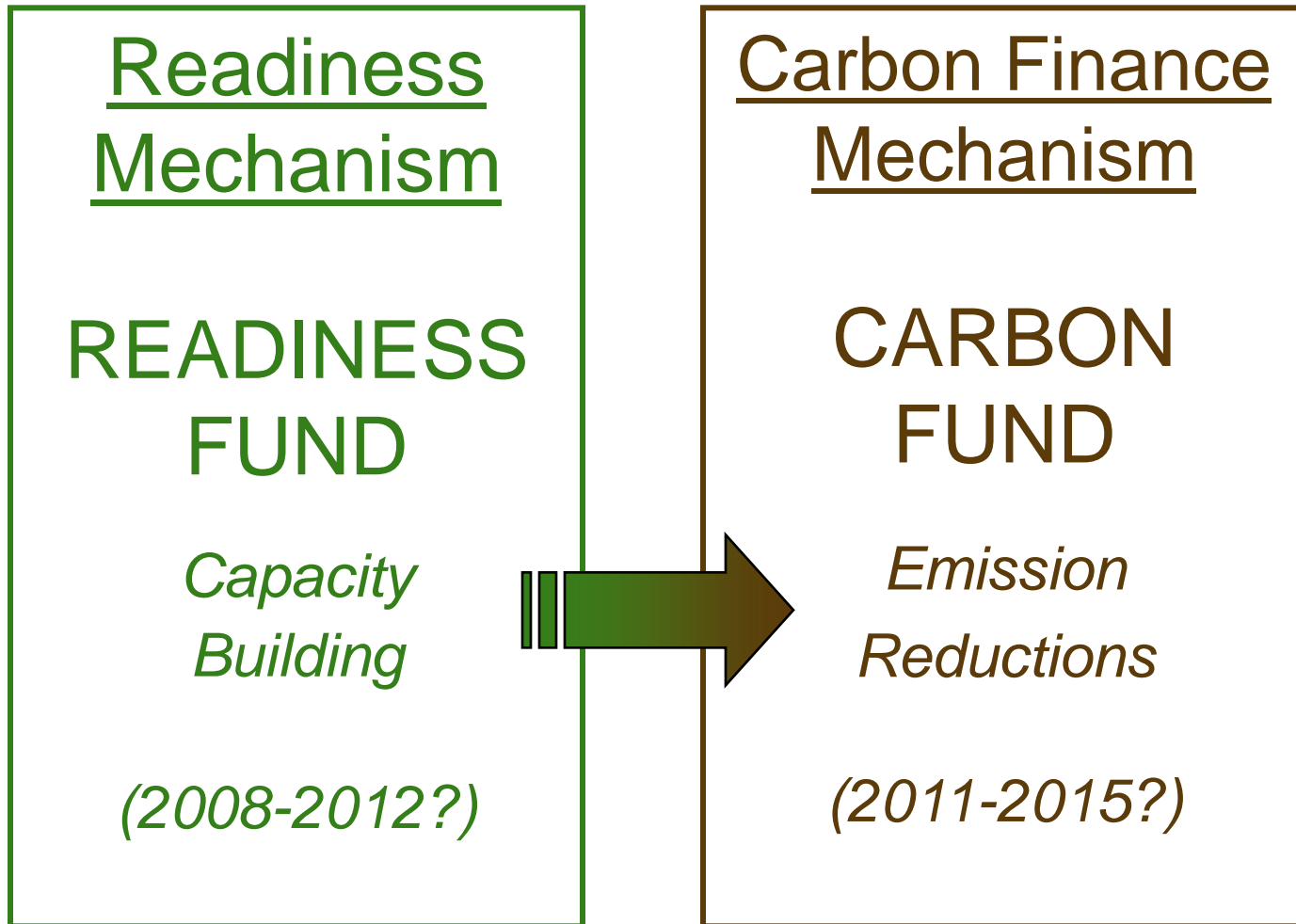
Financing Sources for REDD+



FCPF: A Partnership to Make REDD+ Happen



FCPF: Two mechanisms



FCPF: Capitalization

Readiness Fund

Pledged:
\$210 million

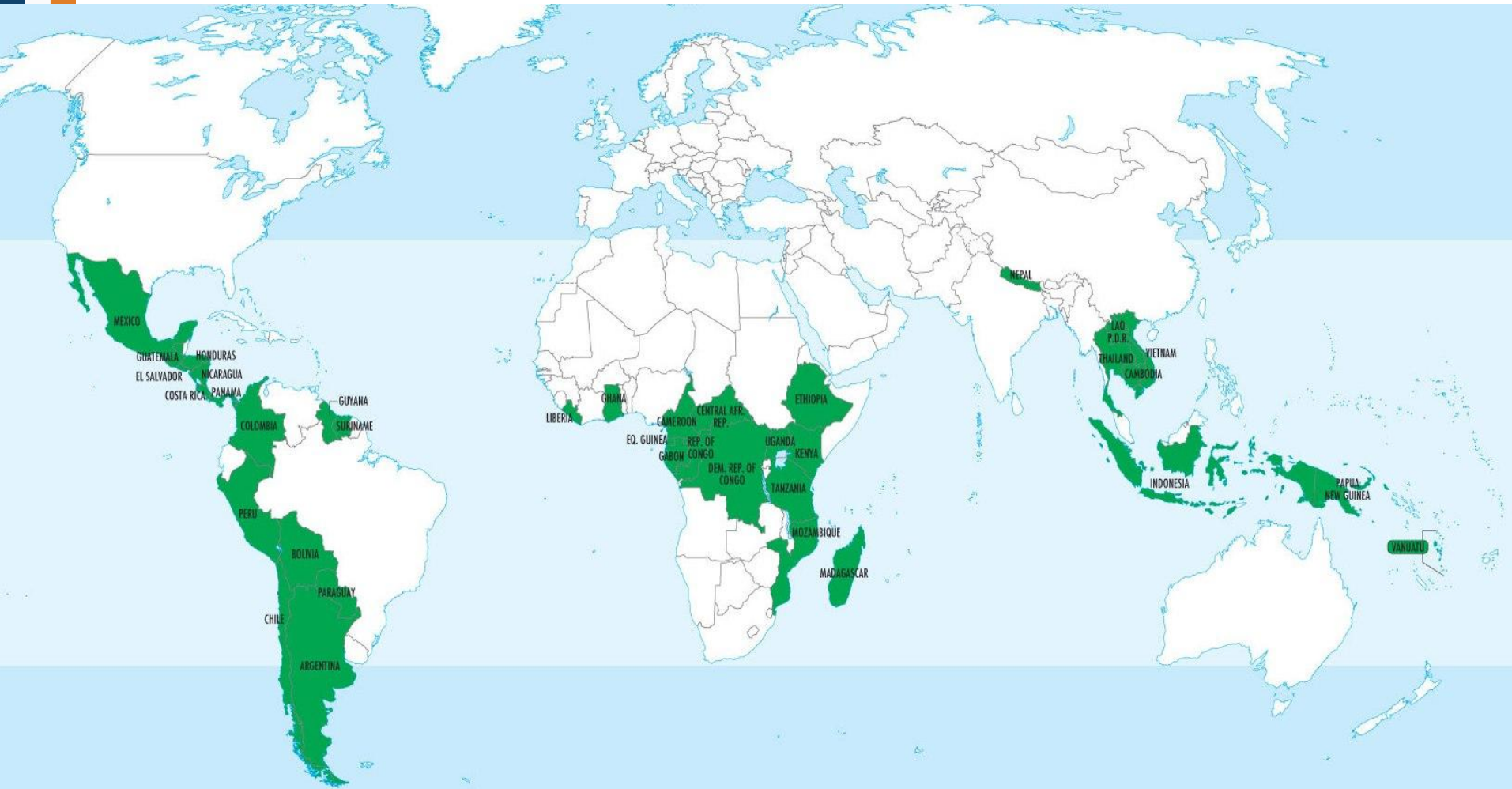
Committed:
\$124 million

Carbon Fund

Pledged:
\$147 million

Committed:
\$45 million

37 REDD Country Participants Selected



Readiness Activities in the FCPF (2)

- **Contents of 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

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General Remarks about the Opportunity Cost approach

- This is one tool, among others, to help countries in designing REDD+ strategy and activities
- Broader analysis should consider full costs of REDD+, including implementation and transaction costs
- Results from opportunity costs should guide policy decision, but other elements are as important (such as co-benefits)
 - Particular care should be taken not to derive compensation levels purely from opportunity costs analysis

General Remarks about the Opportunity Cost approach

- We should not mix opportunity cost with carbon prices → there is more to costs of REDD than opportunity costs!
- Make sure that non-cash services or non-commercial benefits are also accounted, especially in the African context of widespread subsistence farming
- Approach does not take into account feedback effects from REDD+ implementation (potential changes in forest and agriculture sectors, input and output prices and patterns of land use)
- The approach is not meant to consider the underlying blockages to policy interventions, such as land tenure, weak property rights, governance, → but key for policy formulation!



THANK YOU!

www.forestcarbonpartnership.org





Forest Carbon Partnership Facility

**Use of economic analysis in early
REDD+ Strategy Design – case of
DRC**

**André Aquino
Africa Environment Unit of the World Bank**

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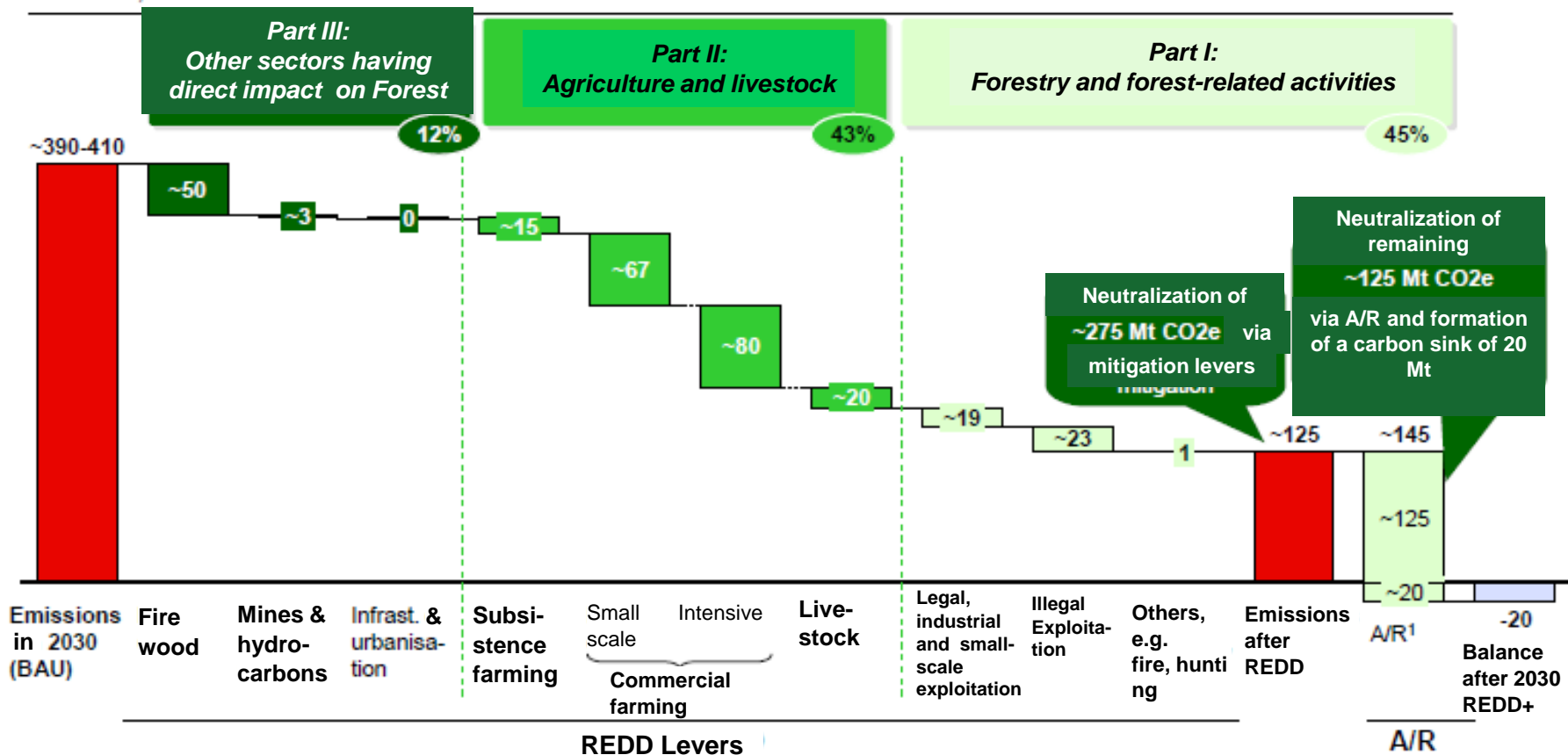


Use of economic analysis in REDD Readiness – McKinsey Cost Curve for REDD Options in DRC

Potential for reducing emissions from deforestation, degradation and sequestration in 2030 for the DRC

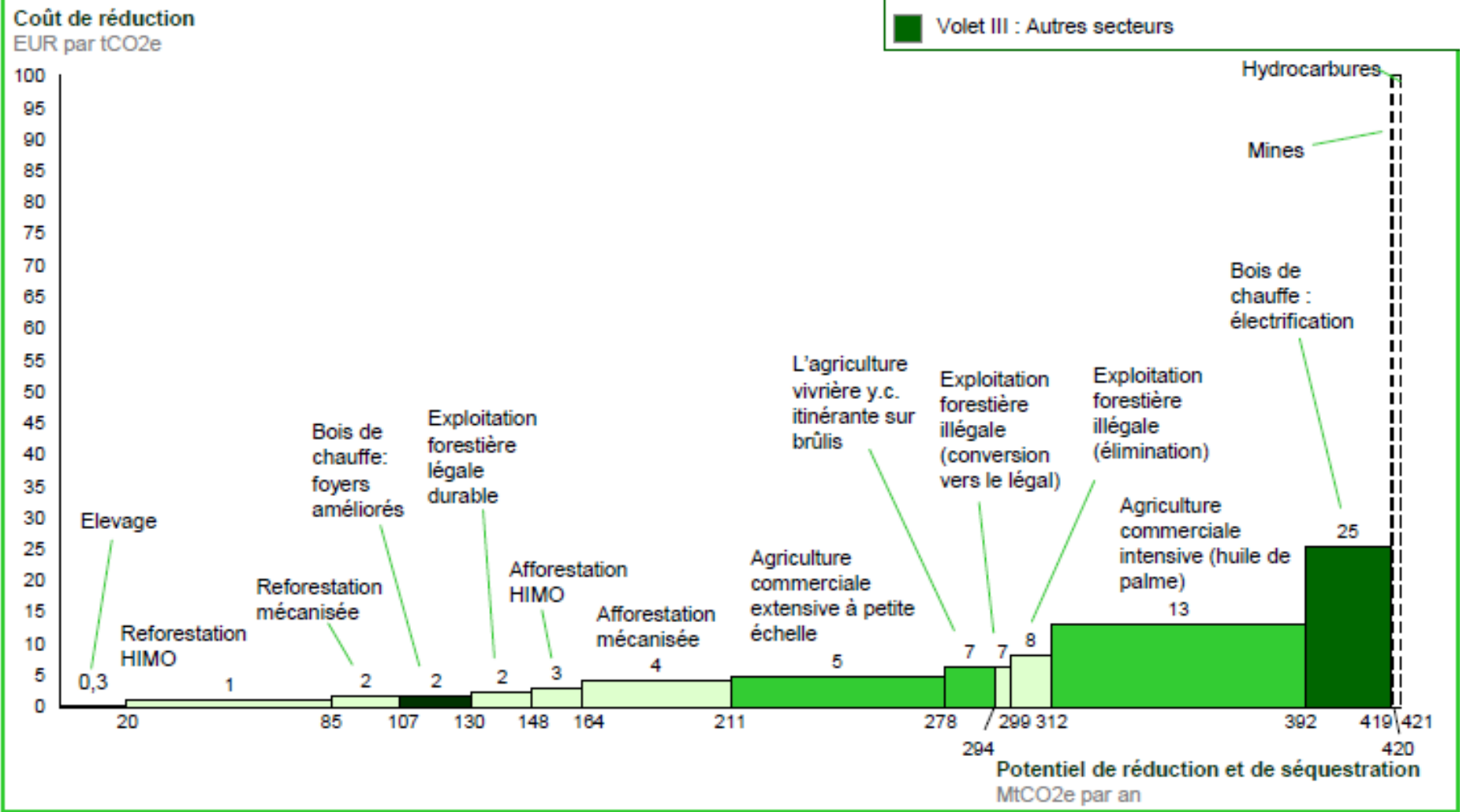
Mt CO₂e, 2030

% contribution to total emission reductions



Use of economic analysis in REDD Readiness – McKinsey Cost Curve for REDD Options in DRC

Approche sociétale, horizon 2030¹



Some pros and Cons of the McKinsey approach

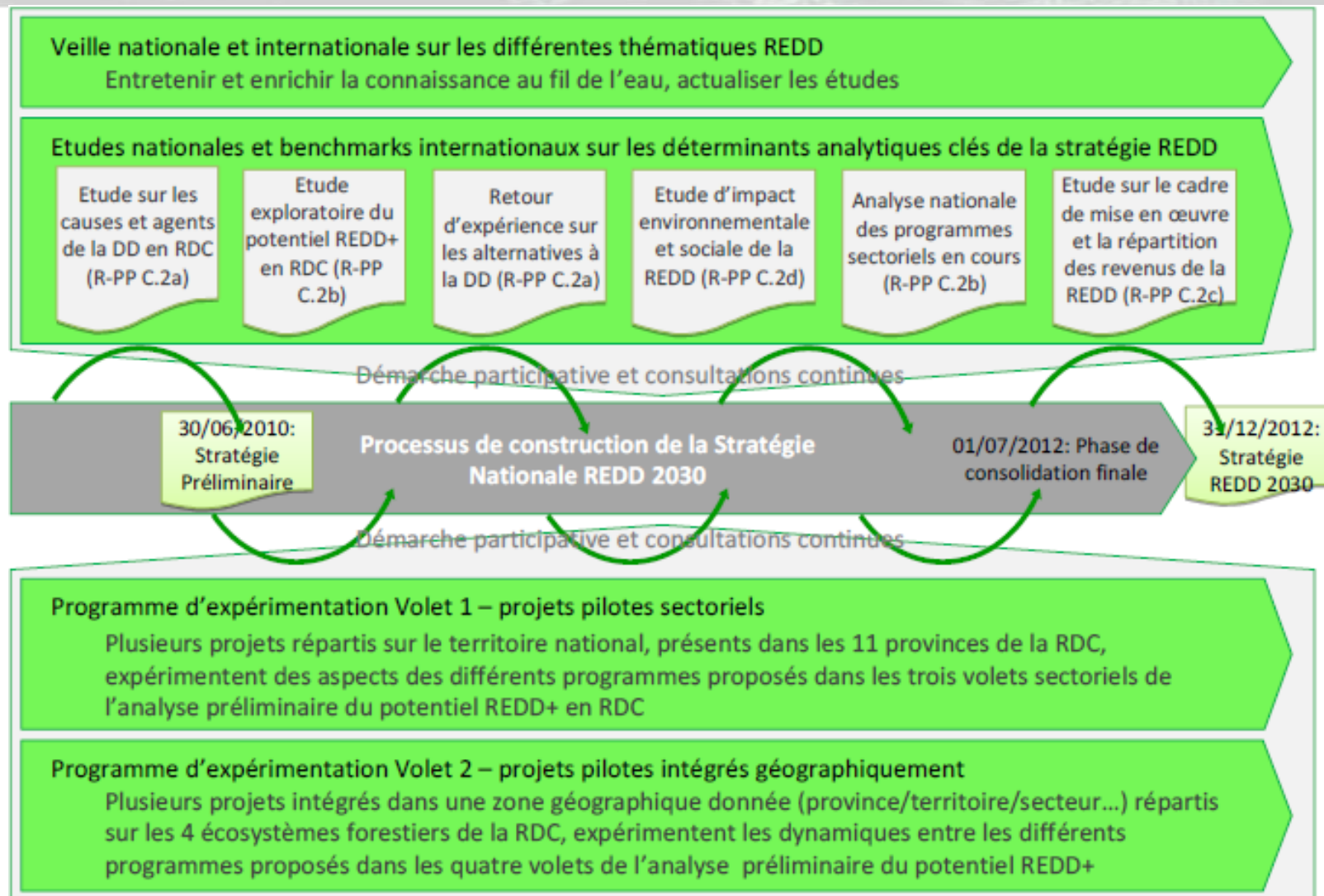
Positive

- Useful for overall planning, on priority activities
- Takes into account costs other than opportunity (implementation costs)
- Good tool for communication with high-level decision-makers

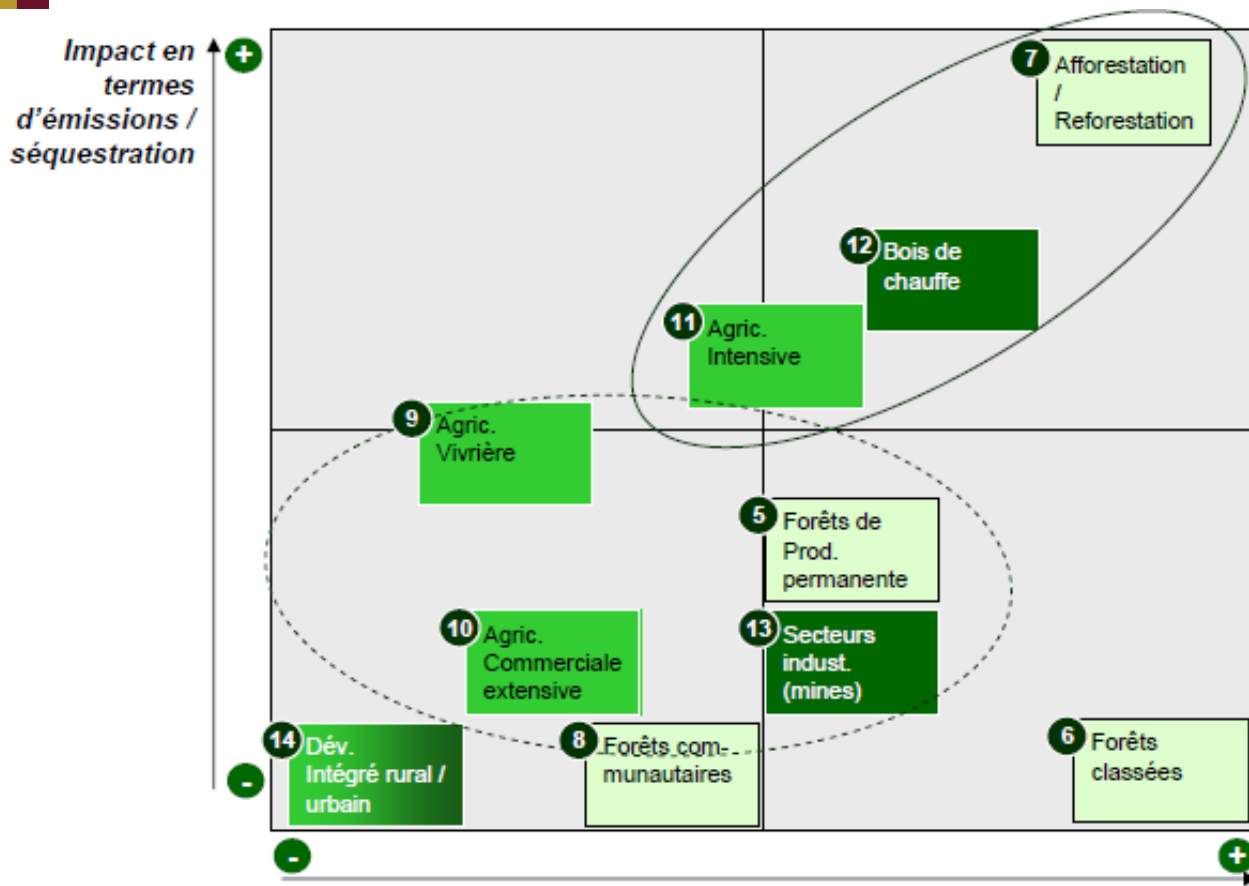
Negative

- Underestimated costs, mainly transaction costs (likely to be high in the DRC context)
- Not a guide for policy design and any sort of compensation policy (not for the compensation level nor even for actors to be compensated)
- Policy decisions to be based more than on economic analysis
- Data and assumptions questionable

Strategy Construction in DRC



Analysis of Strategy Options – Example of DRC



Faisabilité / actionabilité

- Nombre de ministères à impliquer
- Nombre d'acteurs à impliquer (soc. civile, secteur privé)
- Dispersion territoriale / enclavement

Co-benefits also to be considered:

- Rural poverty reduction
- Biodiversity conservation
- Hydrological services
- Others...

-And **Political willingness**



THANK YOU!

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REDD+