

Protecting the Forests to Protect the Climate

About REDD Opportunities in Brazil

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Issued by the Heinrich Böll Foundation

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About REDD Opportunities in Brazil

The borders of Brazil enclose the world's largest rainforest territory, making the Amazon state one of the crucial actors in negotiating the involvement of forests into the international climate regime. After a long time during which discussions on forest and climate were reserved for shoptalk, the public in general now gets increasingly interested and involved. Especially indigenous organizations and other traditional groups, occasionally as the "Coalition of the Forest People" [The Forests Dialogue on Climate Change?], participate in the debate. But the necessary learning processes take place on a political minefield, where battles lines are already drawn, with no punches pulled. By now almost all civil society key actors as well as the government have elaborated their own positions and go for them. The necessary participation of the "stakeholders" threatens to turn into a wrestle for allegiance.

Saving the climate and preserving the forest - a perfect liaison?

Ever since Bali [the UNFCCC Conference in Bali in December 2007] preserving forests as a mainstay of climate protection has become an essential element in the negotiations about a future climate regime. Some regard it as the classical win-win situation in which each party benefits: reducing rapidly and cost-effective carbon dioxide (CO₂) emissions by cutting deforestation without interfering with the big "emerging economies". At the same time one can raise the enormous funds necessary to preserve the last large forest areas on earth, to conserve the living space/habitat of indigenous people and to protect the incredible biodiversity of those areas. Such a climate policy is fascinating and extremely attractive. The catch is the financing machinery, and not the goals outlined here. A large faction of REDD supporters (see below) acts on the assumption that the funds required for a comprehensive protection of the earth's forests can only be obtained by international emissions trading. Which means on balance, that emissions in the North will have to be set off against reducing CO₂ by cutting deforestation. However this is not a win-win situation, but a classical trade-off - unless one assumes that it doesn't matter *where* emissions are reduced, in the North or in the South. In that case the simple formula applies: CO₂ = CO₂. There is, however, broad agreement among the climate actors in the North that comprehensive goals like limiting climate change to 2°C above pre-industrial level, can only be achieved by drastic reductions in the North and by converting the current energy models and national industries. The conflicting goals between forest protection and climate protection become apparent here: involving forests into the international climate regime could constrict or delay the necessary changes in the North, if REDD acts as an off-setting mechanism for the climate goals of the industrialized countries, that is, reduces the pressure on those coun

tries.¹ One problem of the current debate is that many REDD actors would prefer to rationalize this conflict away, by selling REDD as a win-win solution.

What is REDD?

REDD is short for “Reducing Emissions from Deforestation and Degradation.” About 20 per cent of the global greenhouse gas emissions caused by human sources are due to the deforestation and degradation of our forests. Thus a considerable cut in deforestation can become instrumental in climate protection. The idea behind REDD is to assign a material value to the carbon stored in the forests. Thus conserving the forest can become a profitable alternative to destroying it. The basic idea behind REDD seems to be comparatively simple, yet its implementation, specific design as well as technical and methodical basis are proving exceptionally complex. There are very different ideas about the implementation of REDD: mandatory emissions trading versus voluntary payments; on international, national or local level; financial incentives for forest guardians or forest destroyers; within or beyond a post-Kyoto Protocol etc. Thus the catchy acronym provides a broad collective term for current debates that is linked to various concepts but to no definite mechanism.

REDD with or without market mechanisms

The polemic dimension of REDD is triggered – in Brazil and everywhere else – by the question, if forest protection shall be conducted with or without market mechanisms; with firm stands taken. The Brazilian government recommends and conducts a fund solution without market mechanisms. However IPAM (Instituto de Pesquisa Ambiental da Amazônia; the Amazon Institute for Environmental Research), a Brazilian NGO that accompanies for years now the climate-forest debate and has become a kind of opinion former, favors a REDD mechanism with carbon trade and argues, that it is the only way to get sufficient funds for a comprehensive forest protection.² Other NGOs like Fase, Amigos da Terra (NAT Brazil) as well as the [International] Network for Climate Justice, however, have criticized the use of market mechanisms as a merchandization of forest and air. But maybe this debate on the pros and cons of market mechanisms is heading into the wrong direction.

Today nobody buys considerable amounts of carbon from avoided deforestation. Such a market simply does not exist. In truth, the aimed “market mechanism” is merely an extremely complex political mechanism used to curtail the possibilities (or “rights”) of the actors to emit CO₂ or else, to make them pay for transgressions. You can hardly call that a market. (And, given the financial crisis, it might prove rather difficult to sell market mechanisms as climate saviors.). The real advantage of the aspired “carbon market” models lies in the fact that it is a self-

¹ Germanwatch, for instance, argues: „Prevented deforestation cannot be included into international emission trading. Otherwise the certificate price would go through the floor due to the enormous amount of low-cost certificates. Even worse – everything done to protect the rainforest will excuse omissions in protecting the climate at home. More protection of the rainforest means more coal-fired power plants at home, of prevented deforestation can be offset against the goal of the industrialized countries.” Christoph Bals: Bali, Poznan, Kopenhagen. Heinrich-Böll-Stiftung, Schriften zur Ökologie, Volume 2, Berlin 2008, pp. 28 et seq.

² For positions and documents by IPAM go to: www.ipam.org.br; for an interview on emissions trading with Paulo Moutinho go to: <http://www.ipam.org.br/web/noticia.php?id=82>. For further information: www.climaedesmatamento.org.br/

financing mechanism, which leaves allocation decisions to the local ~~[play-off]~~ actors.³ Hence improved emissions trading will certainly remain a pillar of climate policy. But the question remains legitimate, if protecting forests and trading emissions can really be interlinked. Because effective emissions trading to finance REDD will only happen, if the emissions saved from prevented deforestation in the South can be offset against emissions in the North. That is the critical point of the debate, regardless if one favors or is opposed to market mechanisms for political reasons.

Hence the debate on REDD is rather in a dilemma than in a win-win situation: it is easily understood that actors in Brazil primarily advocate effective forest protection involving the forest [-dependent] people; whereas NGOs from the Northern hemisphere see any kind of climate policy threatened by including forests into emission trading. Like I said before, some regard emissions trading as the big chance and only guarantee to raise sufficient funds to save the forests; others consider it the final straw for reducing CO₂ more effectively in the North.

REDD for the Amazon – the IPAM proposal

Based in Belém IPAM is one of the few Brazilian organizations that has presented an elaborated REDD proposal.⁴ Together with the Woods Hole Research Center IPAM is the most influential Brazilian organization in the camp of REDD supporters, that is, reducing emissions by estimating and preserving the rainforests. IPAM assumes that it is possible to stop the Amazon deforestation within ten years – namely with annual expenses ranging between 72 and 531 million US dollars. According to a study co-issued by IPAM such an investment would allow saving 1.4 billion tonnes of carbon (tC) in ten years (total cost: approx. 3.4 billion US dollars; that equals reduction costs of 2.4 US dollars per tonne of carbon or 0.7 US dollar per tonne of carbon dioxide). This calculation is not based on the international CO₂ price, but an evaluation of the opportunity cost, based on an estimate of the profit opportunities provided by agriculture and livestock.

The better part of the funds to be raised shall inure to the benefit for the traditional Amazonian population: 55 to 74 per cent of the funds received shall go to a fund for the forest people, who will receive compensations for the protection efforts. Scheduled is aid money in the amount of half a minimum wage (about 80 US dollars) per family. The program is supposed to support altogether 150,000 families living in indigenous areas, collection camps/reservations or other reserves.

In addition to that 50,000 small farmers shall receive assistance to develop agro-forestry systems on their land. All in all, this would mean an annual transfer of 240 million US dollars for forest people and small farmers.

The second fund contained in the IPAM proposal finances the so-called command and control by the government. 190 million US dollars are annually designed for that. And finally forest

³ “The construction of a pollution rights’ market is remarkable alone for the reason that it illustrates in a specific manner that markets are being made, that is, created by political decisions and institutionally designed.” E. Altvater/A. Brunnengräber: *Mit dem Markt gegen die Klimakatastrophe?* in: Id. (eds.): *Ablasshandel gegen den Klimawandel*, Hamburg 2008, p. 10. This anthology includes a series of articles worth reading about the conceptual and practical implications of emission trading.

⁴ *Custos e benefícios da redução das emissões de carbono do desmatamento e da degradação na Amazônia Brasileira*. Elaborated by IPAM, Woods Hole Research Center and UFMG. The text can be found at: www.climaedesmatamento.org.br/biblioteca

owners, who are legally entitled to lumber, shall also be reimbursed for avoided deforestation. For this, benefits are calculated that will escalate from initially 9 to finally 90 million [US dollars].

The IPAM proposal contains some elements that are giving direction to the debate on REDD in the Amazon:

- REDD is not only conceivable on project level but also on national level, and must include government benefits in command and control.
- The main beneficiaries of the aid money are the forest people - but they are the ones who least of all lumber. The IPAM approach is a “good guy”-centered proposal.
- Private forest owner will only be held responsible for part of the deforestation dynamics; especially if the whole illegal deforestation sector will be excluded from the aid money - as not only dictated by reason but also by law.

It is easy to understand that a proposal, which earmarks annual aid money of about 360 million US dollars for indigenous people, traditional forest users and small farmers is appealing to them. *Where* the money comes from, is not the immediate focus of the discussion. With its proposal IPAM wants to prove that with comparatively little means, enormous amounts of CO₂ can be saved - and moreover to the benefit of the forest people and biodiversity. Hence it does not come as a surprise that regional key actors comment largely positive on REDD. Thus the discussion rather focuses on the *how*, especially on how to include all stakeholders into the discussion.

In the declarations of Manaus and Quito organizations of the indigenous as well as traditional population of the whole Amazon Basin have demanded both, their involvement in developing a REDD mechanism as well as a large allowance from the distribution of the funds earned with REDD.⁵ Preserving the forest is advocated as an instrument of climate protection. Even so, the rights of the indigenous and traditional forest inhabitants must not disappear from the picture in the process. For those groups preserving the forest would mean a livelihood. Hence advocating REDD can be linked to the hope for an effective measure of forest protection.

For the first time representatives of the varied groups - local communities, companies, donors etc. - agreed on the subject in a landmark statement titled “Beyond REDD [The Role of Forests in Climate Change], published on October 8th 2008 in Barcelona. The pivotal role of the forest for the climate has been acknowledged; countries or communities preserving the forest for some time now shall receive compensations for their good stewardship. It was maintained, however, that REDD must not have the effect that countries, which so far have permitted large-scale deforestation and only begin reducing their quota now, will be rewarded too. REDD could assign a value to the forest, but it had to be in connection with sustainability.

⁵ For the most relevant declarations on REDD by civil society groups including indigenous people go to the following web pages:

<http://www.vitaecivilis.org.br/anexos/Declaracao%20de%20Manaus.pdf>,
http://www.climaedesmatamento.org.br/files/general/Declaração_de_Quito_Português.pdf,
http://cmsdata.iucn.org/downloads/tfd_statement_on_forests_and_climate_change.pdf,
<http://www.iucn.nl/sbeos/doc/file.php?nid=8934>

REDD for the “bad guys”?

But apart from approval, “good guy”-approaches also evoke skepticism, like in the case of Sven Wunder (CIFOR). “Most REDD compensations will need to pay people that are seriously planning to deforest ... Otherwise, REDD risks becoming another ‘feel good’ market, producing PR for buyers yet achieving no real reduction in emissions.” Wunder states conflicting goals between efficiency and fairness: “I think REDD will need to walk a fine line between efficiency and fairness. Some rewards for good stewardship are surely needed, but REDD incentives must focus on the highest returns for protecting carbon stocks, otherwise they will simply not perform.”

The focus on the “bad guys” can be found in the second important Brazilian REDD proposal, developed by civil society groups. The *Instituto Centro da Vida* (ICV, Life Center Institute) has developed a proposal for the implementation of REDD that only refers to a single Brazilian federal state.⁶ In recent years Mato Grosso has constantly been the number one in deforestation statistics and is allegedly solely responsible for 10 per cent of global deforestation. According to the ICV emissions shall be reduced within ten years by 75 per cent – in comparison to the previous ten years. That would mean a reduction of 430 million tonnes of carbon, to which the IVC assigns a value of 10.5 billion US dollars (calculation basis is 5 US dollars per tC).

The ICV likewise calculates that aid money will cover the opportunity costs, that is, compensate the benefit lost by avoided deforestation. Interestingly enough, opportunity costs are regionally differentiated, what makes sense, given the different kinds of usage and diverging prices of land. The ICV too reckons rather modest values: the opportunity costs can supposedly be covered by payments ranging from 0.53 to 1.61 US dollars per tonne of saved CO₂.

And ICV provides means for expenditures for command and control and specifies the deforestation actors: agrarian reform-induced settlements and private landowners. While for the small farmers in the agrarian reform projects 68 millionen reais [28.8 million US dollars] are annually provided; 670 million reais [284.6 million US dollars] are, however, provided annually for private landowners!

The difference in approach to IPAM is evident and proves, how different the concepts and approaches are that currently circulate under the REDD label in the Amazon; how many discussions will still be required even among the REDD supporters “to get REDD right.”

The Government’s fund solution

Apart from the civil society’s pro-REDD groups the Brazilian government is the second key actor in the debates on climate and forests. The Brazilian government declines any involvement of REDD in international emissions trading.

“The problem is quite simple. If our efforts, to reduce emissions, are used to continue emitting at other places, the temperature of the planet will increase and we’ll lose the Amazon due to desiccation. Plus, we’ll lose the agriculture in the South of the country. That is an absurd calculation,” Tasso Azevedo explains the position of the Brazilian government.⁷ Azevedo is head

⁶ L. Micol: Redução das Emissões do Desmatamento e da Degradação (REDD): potencial de aplicação em Mato Grosso, in: Laurent Micol, João Andrade, Jan Börner: *Alta Floresta, MT: ICV*, 2008. 92 p. Colaboradores: Roberta dos Santos e SvenWunder.

⁷ Pagina 22, July 2008.

of *Serviço Florestal*, the Brazilian forestry authority and in charge of the *Fundo Amazônia*, the Amazon Fund, the Brazilian government's initiative for REDD. Azevedo wants to raise about a billion US dollars for the fund, but only grant payments if reduction goals are accomplished. The *Fundo Amazônia* still is in its formation phase. So far the only thing certain is a national and grassroots approach that intends to massively promote and expand reserves – involving the local population in doing so.⁸ NGOs, the Coordination of the Indigenous Organizations of the Brazilian Amazon (COIAB, *Coordenação das Organizações Indígenas da Amazônia Brasileira*) and the federation of associations of rural labourers and small farmers, CONTAG are represented in the supervisory board established in October 2008.

Does the Amazon [really] need REDD?

To be of relevance REDD needs the Amazon, the world's largest rainforest. But does the Amazon also need REDD? The Amazonian REDD hype is triggered and fired by the prospect of huge funds. All "good guy" approaches and arguments proceed from the assumption that the forest people should and would be the major beneficiaries of REDD. REDD is supposed to provide the possibility to compensate one of the biggest absurdities of the present climate regime – namely that any dubious project receives aid, while the guardians of the forest get nothing.

All the same the REDD debate should not exclude questions asking about the sense of the mechanism. These are not necessarily arguments against REDD, rather considerations about the specific contribution REDD can make – the more so as many advocates regard REDD as the definite tool to save the forest.

The Amazon is not just a large forest, but also a complex network of eco systems.

Sure, financing mechanisms must not be complicated. But reducing it to avoid CO₂ may be too simple for the Amazon. For REDD the Amazon means merely the (rain)forest, it does not refer to the specific protection of the large rivers or the special conditions in the flood plains. The reduction may prove as being insufficient to accomplish the goal of protecting the forest.

REDD could divide actors into the factions "with high CO₂ potential" and "without high CO₂ potential" (e.g. fishermen).

This should mainly serve as a warning against all approaches aiming in particular at the immediate drivers of deforestation.

Already here and now REDD can provide the wrong incentives, an aspect that should not be neglected in the current debate.

The Brazilian parliament sits upon proposals that reduce the required forest reserve to private estates. So far a forest owner can legally only deforest 20 per cent of his property. Any slackening of this law would increase the tradable CO₂ of forest owners. At this stage that prospect may be an additional motive for the agrarian lobby to change the legislation.

⁸ In the near future there will certainly emerge smaller and voluntary funds in addition to the *Fundo Amazônia*. The most advanced project based on a Private Public Partnership is the proposition of the Fundação Amazonas Sustentável (Banco Bradesco) in cooperation with Marriott International and the federal government of Amazon state. The Juma reserve is supported with funds raised by Marriott clients. For a survey about this project go to: <http://www.alertnet.org/thenews/newsdesk/N16474804.htm>

How can REDD work given the prevailing illegality of deforestation?

“It is consensus that regulating Amazonian land tenure has priority. If we don’t solve this, the will be no advancement.” Clear words by the Brazilian Minister for Strategic Affairs, Roberto Mangabeira Unger. The majority of the private users in the Amazon doesn’t possess legal estate rights. At least must be arguable, if in such a situation REDD mechanisms are capable of assigning the right priorities.

What are the answers REDD can give to the two great trends in the Amazon: the expansion of hydraulic engineering and (coal) mining?

In focusing on rather private drivers of forest degradation (“the guy who has enough capital to buy a chainsaw” – Sven Wunder) REDD could possibly neglect its other causes. The Amazon basin is facing a new boom of petroleum and gas extraction – as is all-too evident in Peru und Ecuador. Now it also threatens to break ground in the Brazilian Amazon basin. At the same time the Brazilian government is getting down to business with its plans to exploit the Amazonian hydro power potential for energy supply. Numerous large-scale dams are planned in the Amazon; the first two projects of them are already authorized (at Madeira River). A REDD mechanism that is not incorporated into a sustainability strategy for the Amazon, would simply dwindle away, becoming another competitive approach in politics for that region. Though not necessarily an argument against REDD, it still may be a way of cautioning that concentrating on the “chainsaw guy” is perhaps not enough to protect the forests.

Conclusion

The destruction of forests cannot be attributed to solely one cause or one driver. In fact, it is a complex socio-economic challenge, which has to be met with a mix of different political instruments. To support and expand the reserves in cooperation with the local population is for many actors in the Amazon the most promising approach to avoid deforestation. Furthermore private landowners have to be motivated and/or forced to comply with the law. National development policies have to be adjusted to forest protection and sustainability. – That would do for a successful forest policy along general lines. Embedded in such a context, REDD could become an important contribution to forest-preserving policies.

The great appeal the REDD proposals hold for civil society actors and social movements in the Amazon can be attributed to the hope that a new international climate regime could make up for a historical injustice – namely that of all people those, who contribute to preserving the forests have so far been left empty-handed.

REDD is not an automatism to fulfill these hopes. “Getting REDD Right” also means to develop a proposal that is interesting for relevant social actors in the Amazon.

Moreover, financing REDD essentially based on the allowability against emissions in the North is questionable regarding the mitigation of global warming and likely to divide the forest guardians – something to be considered by those, who regard emissions trading as the only guarantee to raise sufficient funds for a effective REDD.

To eventually incorporate REDD into a political framework the fund solution pursued by the Brazilian government seems to be an interesting approach, notwithstanding its early stage. Plus, a voluntary fund could be partially financed with capital from the European emissions trading (as suggested by Germanwatch and the European Commission). Likewise the Greenpeace suggestion to involve REDD restrictively in international emissions trading might be a step into the right direction, since it connects the requirements for a climate change in the North with preserving the forest.