

Getting REDDy

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Unavoidable Acronyms

- GHG = greenhouse gas
- REDD = Reduced Deforestation and Degradation
- PES = “payment for environmental services”

How Does REDD Mechanism Fit Into Greenhouse Gas Policy Portfolio?

- Emphasis in earlier discussions of GHG abatement measures has been on market-based approaches to curtail emissions
 - Options for creating tradeable emissions allowances or credits (European Trading System)
 - Credits also for Afforestation/Reforestation (increasing net CO₂ stored in biomass over time)

How does REDD Mechanism Fit Into GHG Mitigation Policy Portfolio?

- Focus of REDD is to avoid potential emissions
 - Strong direct role for national governments in designing and implementing REDD agreements with individual land users/managers
- Represents a form of payment for environmental services (PES)
 - A number of previous TFESSD grants have funded projects in this area

How Does PES Generally Work?

- System typically implemented by government and/or international bodies, pays individuals for:
 - Direct costs of protecting and environmental resource; and/or
 - Foregone income or consumption benefits if use of the environmental resource is reduced
- Examples: watershed protection, forest and park area maintenance, biodiversity protection
- Revenues come from budget or earmarked taxes
 - unlike emissions trading
- Recipients have to demonstrate that the contractually agreed maintenance of the environmental resource is being done

Overview of REDD Approach

- Payments would be made to reduce existing deforestation, or to forestall future deforestation
 - Two different types of baselines
- Payments would be made ultimately by developed countries as a way to meet their agreed GHG mitigation obligations
 - Also motivated by broader sustainable development objectives
 - UN climate body likely would be involved also

Overview of REDD Approach

- Payments would be made to developing countries who would be responsible for carrying out national REDD programs
 - Nationwide plan seen as needed to “scale up” successfully, and prevent “leakage” (reduced deforestation in one place causing more elsewhere in the country)
 - Payment would be made only on demonstration of agreed REDD achievements by receiving government

Overview of REDD Approach

- Receiving government in turn would take measures to require or induce REDD actions by individuals in charge of forest lands
 - REDD process is required to be inclusive and participatory (e.g. indigenous peoples)
 - How landholders would be led to reduce deforestation, and how the economic benefits might be distributed, remain unsettled

Key REDD “Mechanism Design” Questions

1. How would different payment mechanisms affect national-level cost and deforestation?
2. What are the pros and cons of different approaches by national governments to change landholder choices?
3. How should national baselines be defined given REDD objectives and differences among countries in patterns of deforestation?
4. What are the distributional impacts of different REDD designs?

Experience With PES Suggests Questions

- Defining services to be maintained
 - *REDD: How will payments for maintaining carbon storage affect the composition of forest cover?*
- Defining a baseline and measuring accomplishments over time
 - *REDD: How might deforestation rates decline anyway? What about “leakage?”*
- Setting payments high enough to get result
 - *REDD: How much needs to be paid to reduce deforestation – and is it cost-effective?*

Project Overview (1)

- Point of departure is branch of economics concerned with ongoing contractual relationships (“repeat agency”)
- Conceptual framework for judging effective REDD mechanism performance being built
 - Tied to a well-established simulation model for international timber markets

Project Overview (2)

- Qualitative predictions of the framework to be “experimentally tested in the lab”
 - Connect groups of students via the Internet to simulate the basics of different REDD mechanisms
 - Participants play the role of different governments under different REDD rules
 - Motivation is financial reward for success
 - Variation of rules and rewards gives insight on how different designs might work in real world
- Will use the same general approach to explore different intra-national mechanisms between government and landholders

Project Overview (3)

- Second part of the project involves “field tests” of findings from first part
 - Identify specific forest areas in several countries that could become part of REDD (with Bank Ops staff and country stakeholders)
 - Do a mock-up of different REDD approaches that seem promising to learn more about how they might work in practice
 - Several possible locations for mock-ups (still TBD)
 - Lessons learned to be captured in a variety of reports, written briefs, and workshop activities

Broader Significance of REDD for Sustainable Development

- Under what circumstances would REDD provide tangible and sustainable benefits to local forest-based communities?
 - How does REDD dovetail with other forest-based development efforts, including Community Based Forest Management?
- How much impact can REDD have for limiting GHGs?
 - Compare to other options that can combat climate change and help reduce poverty