

Proposal to create an Integrated Conservation Afforestation/Reforestation (ICAR) activity, as a new type of creditable UNFCCC activity.

The following discussion proposal is targeted for the consideration of environment, conservation and climate change specialists, and country negotiators preparing for the next U.N. Climate Change Convention in Copenhagen in December 2009.

Including financial incentives for generating needed forest derived environmental services, in the next Climate agreement, could contribute immediately with the urgently required reduction of emissions from deforestation and forest degradation.

I. Proposal:

Create an Integrated Conservation Afforestation/Reforestation (ICAR) project activity, as a new type of creditable UNFCCC activity. Following existing standards - such as the Voluntary Carbon Standard¹ (VCS) and the Climate, Community and Biodiversity Alliance Design Standards² (CCB) - this type of creditable activity would combine integrated conservation³ of the buffer zone (surrounding threatened forests) with the conservation of threatened⁴ existing forests. Providing quantifiable financial incentives for increasing the scope of traditional A/R projects can significantly reduce current threats to existing forests by promoting alternative, sustainable land uses.

II. Importance of ICAR Activities:

Background of Avoided Deforestation and Reduced Emissions from Deforestation and Forest Degradation: The agreement on a protocol for a Reduced Emissions from Deforestation and Forest Degradation (REDD) mechanism has a high likelihood to continue confronting the same significant obstacles that ‘Avoided Deforestation’ (AD) has encountered during and since the Kyoto Protocol (KP) negotiations. Agreement on common methodologies with respect to principally baseline deforestation rate, but also leakage, permanence, and project risk, to cite just a few examples, continues to be a challenge. Pressure on forests due to population movements motivated by underlying political, social, economic and environmental causes makes it impossible to make precise estimations of “business as usual” baseline scenarios. Underlying the negotiations is the

¹ <http://www.v-c-s.org/docs/Tool%20for%20AFOLU%20Methodological%20Issues.pdf>.

² CCBA. 2005. Climate, Community and Biodiversity Project Design Standards (First Edition). CCBA, Washington DC. May 2005. At: www.climate-standards.org.

³ Integrated conservation is the term given in this proposal to conservation achieved by the integration of ecological sustainability to economically sustainable activities. Under this approach, sustainable development for the local communities involved results from the creation of sustainable economic activity derived principally from NTFP projects, and complemented by income derived from the environmental services that would necessarily be generated.

⁴ The use of the term “threatened” in this proposal refers principally to forests under pressure of land clearing for agriculture and excessive vegetation removal driven by overgrazing, and fuelwood gathering. Other activities threatening forests, such as commercial logging, energy development, mining and new infrastructure need to be addressed by both Policy and Sectoral country approaches.

fear that massive amounts of REDD credits could potentially flood the market of Emission Reduction Credits (ERC's), driving down their value and discouraging emission reductions of all types. In spite of these technical and financial difficulties that have challenged AD negotiations since 1997, concerted global action to reduce pressure on threatened forests should not continue to be delayed.

III. Fundamentals of the ICAR Proposal:

The approval of a new type of creditable A/R activity, which by definition would necessarily include both an integrated conservation approach as well as existing threatened forest protection, would promote projects that would benefit, ex-post, by receiving a significant financial Premium, not applicable to traditional A/R projects. The Premium would compensate not only the increased costs involved in implementing this type of project, but would also recognize the environmental services derived from the protection of threatened existing forests and the outlying buffer zone of degraded and secondary forests. The Premium's bottom line would be that the magnitude of financial compensation for environmental services rendered would need to make this type of buffer zone and existing threatened forest, land use activities more interesting to stakeholders, than activities which threaten existing forests.

Background: The KP established criteria for crediting carbon capture generated by A/R activities, whereby Land Use & Land Use Change + Forestry (LULUCF) projects provided carbon credits without requiring the inclusion of threatened existing forest protection components into the project, nor quantification of "Environmental Additionality" for environmental services rendered.

Underlying premises of the ICAR activity:

1. Forest protection, intended to be the outcome of legislated "set asides" - such as national parks or biological reserves, where integrated conservation activities are not included and established - is "paper" protection at one extreme or forced/imposed protection at the other extreme. Set asides alone cannot mitigate a local community's pressure on forest areas, traditionally available to it. The project Area needs to include the threatened forest as well as its outlying buffer zone.
2. In spite of the increasing tropical forest surface under sustainable management certification, the "management" of timber producing tropical forests has failed to arrest deforestation and forest degradation trends. Improved incentives need to be created to promote the establishment of sustainable timber producing plantations, outside the boundaries of existing forests.
3. Successful threatened forest conservation projects incorporate the establishment of re-vegetating activities (such as reforestation and agro-forestry) in the areas of degraded and secondary forest surrounding existing threatened forests, thus meeting the criteria established by existing voluntary project design standards. The new habitats created provide a buffer zone where local communities develop alternative economic activities, which provide for significantly raised living standards. These activities are principally derived from the development of a Non

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Timber Forest Products (NTFP) economy, but also by receiving financial compensation for the environmental services generated (e.g. watershed and soil protection, increased biodiversity, added to the existing incentives for atmospheric carbon sequestration). As a result, the protection of a threatened forest becomes a fundamental pillar to the sustainability of the new economy.

The ICAR Premium: The Premium to be received – *complementary to the carbon sequestration credits generated ex-post in the Project Area (i.e. within a boundary that includes the threatened forest and its corresponding buffer zone)* - should adequately compensate the project developer's increased efforts and costs in careful project design and project execution for achieving ex-post "Environmental Additionality" and "Forest Protection", as determined by the monitoring studies (see Pt. 5, Expected Outcomes below).

1. The Premium should be proposed by the project developer in the project design document, and its amount to be determined principally as a function of the magnitude of the environmental services generated.
2. The environmental services to be compensated should meet project design criteria such as offered by VCS and CCB, as well as the existence of REDD potential.
3. The Premium should result in a minimum cost (maximum efficiency) method toward achieving climate effectiveness from reduced deforestation and forest degradation.
4. The Premium should ensure that the project's total sustainable income from the buffer zone and threatened forest provides the highest opportunity cost, and consequently the basis for an increased standard of living for the local communities.
5. The Premium should be considered as an advance or prepayment for when a REDD mechanism is approved; it should not in any way eliminate an ICAR project's "Additionality", thus recognizing the ex-post emission reductions achieved prior to a REDD mechanism implementation.
6. The Premium could be drawn from existing developed country funds established to catalyze large scale threatened forest protection. One example cited is the World Bank's existing Forest Carbon Partnership Facility:
(<http://wbcarbonfinance.org/Router.cfm?Page=FCPF&FID=34267&ItemID=34267>).
7. The Premium could work within the framework of a Greenpeace proposed post-Kyoto hybrid mechanism to feed REDD financing funds:
(<http://www.greenpeace.org/raw/content/international/press/reports/forestsforclimate2008.pdf>)

Already established REDD funds, complemented by proposed mechanisms designed to feed such funds, provide the basis for funding ICAR projects, over and above a project's income from carbon sequestration credits.

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Expected Outcomes:

1. ICAR projects would contribute significantly toward improving the living standards of the communities that are currently creating the pressures that threaten existing forests, by establishing buffer zones surrounding existing threatened forests, where NTFP and environmental services are generated.
2. Leakage driven by local fuelwood/timber needs would be mitigated by creating fuelwood/timber plantations within the buffer zone. Given the limitations which derive from this Proposal's Project approach, leakage driven by larger scale timber requirements would need to be addressed by creating managed timber plantation projects in appropriate areas, following and determined by a Sectoral and/or Policy approach specific to achieve this goal.
3. The new economy created in the buffer zones by ICAR activities would place a value on the conservation of the latter and of the existing forests, thereby reducing threats, maximizing a project's sustainability and permanence, and minimizing project risks associated with traditional A/R activities.
4. An ICAR project's generation of other non carbon environmental services, (such as watershed protection and prevention of soil erosion, for example), would also significantly contribute as measures to adapt to climate change.
5. An adequate Premium awarded to creditable ICAR projects would provide project developers the incentive toward integrated environmental conservation projects combined with threatened forest protection, while reducing their interest in projects solely seeking compensation for carbon sequestration.
6. ICAR activities would sidestep, or contribute to avoid or resolve problems traditionally associated with LULUCF, specifically:
 - a. Agreement on baseline forest deforestation rates estimations;
 - b. Creation of massive amounts of Avoided Deforestation Carbon Credits, which could depress the market value of ERC's; and
 - c. Community rejection and non-participation in traditional A/R activities, potentially promoting land use conflicts.
7. ICAR activities would only credit carbon captured in the buffer zone and within the threatened forest boundary that generates complementary "environmental additionality" and protection of threatened forests. This would be based on studies of the "before and after" changes, in:
 - a. Subsoil, soil and aerial biomass
 - b. Biodiversity
 - c. Soil conditions
 - d. Watershed capacity, quality and protection
 - e. Microclimate conditions
 - f. Community living standards
 - g. Habitat sustainability
8. Given an ICAR project's potential for increased sustainability and permanence, and its mitigated risks, monitoring costs can potentially be lower than those for traditional A/R projects. Indicators and benchmarks can quickly determine an ICAR project's health, whereas higher risk projects require extensive monitoring

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and certification to establish risk. *The minimum size of ICAR projects, and hence the minimum size of the threatened forests to be protected, will be determined by a project's capacity to amortize the transaction costs required for project approval and monitoring.*

9. Urgently required increased threatened forest protection could begin quickly, given that existing agreements normalizing A/R activities are in place. Moreover, ICAR negotiations could be swift and straightforward, and its activities implemented rapidly.
10. Careful ICAR project design should complement rather than complicate, the process of harmonizing with Policy and Sectoral approaches to REDD.
11. Project approach based ICAR projects that provide communities with effective financial incentive forest protection mechanisms can, to a large degree, mitigate many developing countries' lack of institutional capacity to implement REDD Policy and Sectoral approaches.

IV. Conclusion: Taking advantage of existing conservation project design standards, complemented by the existence of REDD funding mechanisms and proposals to feed the financing mechanisms, this Proposal provides a win/win route to immediately address REDD, while side stepping, but not hindering, the negotiations surrounding the difficult REDD issues. Rapid deployment of this mechanism could contribute to kick-starting large scale integrated conservation afforestation and reforestation projects intended to promote corresponding large scale protection of threatened forests around the globe. Getting REDD right requires a functional integrated conservation approach at the local Project level, which provides achievable incentives that increase living standards of local communities beyond what traditional unsustainable forest activities have provided.

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