Forests, climate and development

Presentation by Ambassador Hans Brattskar, Director of the Government of Norway's International Climate and Forest Initiative at the World Forum on Enterprise and the Environment (WFEE 11), Oxford 28th June 2011.

Excellencies, ladies and gentlemen,

It is an honour to be here on behalf of Norway's Climate and Forest Initiative and to present our views on the need for a global payment scheme for a vital ecosystem service, the carbon storage provided by the world's tropical forests. I will also focus on the strong linkages between climate change mitigation efforts and the protection of biodiversity and other ecosystem services.

Chico Mendes, the Brazilian activist, once said, "*At first I thought I was fighting to save rubber trees, then I thought I was fighting to save the Amazon rainforest. Now I realize I am fighting for humanity.*" His words are a vivid illustration of why it is so important to protect the world's forests.

The Norwegian Climate and Forest Initiative began its work in April 2008. Its main purpose is to support action to reduce emissions of carbon to the atmosphere caused by deforestation and forest degradation in developing countries, also called REDD+. Depletion of the carbon store in forests is estimated to account for about 17% of annual man-made greenhouse gas emissions.

As I am sure you know, the Stern Review and other studies have identified reduction of these emissions as one of the most cost effective and rapidly available large-scale mitigation options. And reducing emissions from forest destruction is essential if we are to reach the target of limiting global warming to two degrees above the pre-industrial level.

This was why we welcomed the agreement on a REDD+ mechanism under the Climate Change Convention in Cancún last year. It was an important step forward, but several important issues remain unresolved – not least the question of medium- and long-term financing.

Conserving the world's forests is not going to be easy, and we need to be aware that it means much more than improving forest management – it is a fundamental development choice that will have implications for all sectors of society. Norway's Climate and Forest Initiative is developing and testing mechanisms that can bring about system-level changes and help countries to make a transition to a more sustainable forest management regime, where forested areas are worth more as intact forest than if they are converted to other uses.

There are powerful economic drivers behind deforestation. If we do nothing, the growing global demand for timber, palm oil, sugar, soy and beef, and the need to feed a population of 9 billion people by mid-century, will continue to increase pressure on tropical forests. But business-as-usual is not an option - the consequences would simply be devastating.

In the past, almost all countries that have achieved economic growth have done so at the expense of their natural resource base. The typical pattern in forested countries has been ahigh deforestation rate in the early phase of economic development, which has later slowed and ultimately been reversed. This pattern is called the forest transition curve and you will find it demonstrated by most European countries, including my own. Many tropical forest nations are still in the early stages of economic development, and deforestation is likely to continue and even speed up as they strive for social and economic development for their citizens. The challenge for REDD+, and indeed for any effort to conserve natural resources, is to create incentives and provide support that can assist countries to develop without destroying their forests. In other words, to leapfrog the forest transition curve. If REDD+ and the global battle to halt biodiversity loss and ecosystem decay are to succeed, the rules must change.

Traditional conservation schemes that set aside areas of particular value to be preserved for the future have done a great deal of good, and still have an important role to play. However, if we are to make a difference on a larger scale, we need to change the rules by which private sector money moves.

To give a REDD+ mechanism credibility, payments or compensation should only be made once verifiable results have been achieved. The concept of performance-based financing differs from traditional aid schemes where need, not results, defines the level of financing. For REDD+ to succed, funding to build capacity to measure, report and verify emissions from deforestation and forest degradation and to develop national strategies for combating deforestation and forest degradation will be needed in an initial phase.

To put it simply, if we are to create a sustainable future, protecting the environment must be economically profitable. As long as the economically sensible thing to do is to level forests and transform them into palm oil, soy or pulpwood plantations or cattle ranches, deforestation will continue.

And REDD+ will not succeed unless the growing demand for food, fibre and other commodities is tackled through three parallel approaches. We need to increase productivity on land that is already in use, and at the same time make sure that agricultural expansion takes place in non-forest areas, preferably by restoring degraded lands. And finally, we must reduce global demand for commodities that drive deforestation.

If we ascribe an economic value to the carbon storage service provided by forests, the economic rationale for conversion of forests for agriculture and other uses will be dramatically weakened. REDD+ can contribute significantly to making forests “worth more alive than dead”.

At the same time, we must rememberthat REDD+ only assigns a value to one of the many ecosystem services provided by forests. They purify water and regulate water flow, provide flood control and reduce flood damage – in fact, almost half the world’s population depends directly on these water-related ecosystem services. And of course many local communities, including indigenous communities, are directly dependent on forests – about 50 million people in the Congo basin alone. If REDD+ is to succeed, all the people who depend on forests but at present are using them unsustainably and sometimes illegally must be given help to find alternative, sustainable ways of life.

And given that the pressure on the world's remaining forests is highly likely to increase in the years ahead, it is vital to continue to explore the value of their biodiversity and the ecosystem services they provide, and to establish further incentives for their conservation. The Economics of Ecosystems and Biodiversity (TEEB) study has inspired a whole range of follow-up processes both nationally and internationally, including this meeting. This makes me more confident that REDD+ will only be one of many tools used to correct the market failures that are currently leading to over-consumption of resources and destruction of many important ecosystems.

The next question is why should governments and private-sector actors that are focusing on reducing carbon emissions from forest destruction turn their attention to the conservation of biodiversity? Isn't there a risk that our efforts to cut emissions will be less efficient if we try to add on additional issues?

Not in my opinion. I realise that there are likely to be some tradeoffs between maximising carbon benefits and conserving forest biodiversity, but there is a huge potential for positive synergies, and the risks of not doing both may be far more serious. Here are three examples:

1. There is a strong correlation between biodiversity richness and the carbon stock. This means that saving the most carbon-dense forests will also benefit biodiversity.
2. There is also a correlation between the intactness of biodiversity and the resilience of forest ecosystems to large-scale disturbances such as forest fires, drought and disease. Maintaining intact biodiversity is therefore a way of increasing the long-term security of the forest carbon store.
3. On the other hand, degradation of ecosystems combined with climate change may bring them to "tipping points", beyond which irreversible, large-scalechange occurs. Several studies have indicated that the removal of as little as 20% of the Amazon rainforest could push much of the Amazon into a drier climate regime, and result in large-scale dieback of the forest.

All this means that governments and industries investing in or implementing REDD+ activities can draw the following conclusions:

- Their investments will be safer if REDD+ activities also contribute to the conservation and/or restoration of forest biodiversity.
- Neither biodiversity nor carbon is evenly distributed throughout ecosystems. Mapping the distribution of carbon and biodiversity could make it easier to design REDD+ activities that maximise the synergy with biodiversity conservation.
- If natural forests are converted to tree plantations, the carbon store and biodiversity will usually be reduced, so this should be avoided. Plantations can play an important role in decreasing pressures on the forests, but only if properly located and managed.

For the moment, we are still in a position where the fundamental economic, political and administrative framework generally favours continued deforestation and forest degradation. Changing this will require system-level changes, which are costly in both economic and political terms. Governments will only give priority to ,ajor reforms in the direction of more sustainable forest management if they are offered incentives that are in reasonable proportion to the scale of the challenges.

This year, Norway's Climate and Forest Initiative will be spending around 400 million USD. The government's aim is for annual payments to peak at around 500 million USD per year at today's exchange rates. While modest compared to the potential upsides, we are still the biggest donor in the REDD+ space. I would argue, however, that it is not the total amount of funding but our strategic approach that may provide the biggest learning potential as the world strives towards sustainability in the 21st century.

The most prominent recent example of anti-deforestation efforts is provided by Brazil. Over the last five to six years, the country has reduced its deforestation rate by almost 70% compared with the average in the period 1996 -2005. In Brazil, Norway is basically rewarding a job well done, paying post facto per tonne for actual reductions in emissions.

Our agreement with Brazil may seem generous – we have pledged to provide Brazil with 1 billion USD for the period up to 2015 for verified emissions reductions – but our contribution comes nowhere near to matching what the country has actually achieved. The World Resources Institute estimates that reductions in deforestation in the Brazilian Amazon correspond to cutting emissions by about 850 million tonnes of CO_2 equivalents per year. This is probably the single most significant climate change mitigation effort globally over the last decade. With rising commodity prices and growing pressure on tropical forests, I fear the consequences if the developed countries are unwilling make substantial payments to reward results like Brazil's remarkable achievements.

From a systems change perspective, I think our partnership with Indonesia is a very interesting case. The partnership is based on Indonesia's own ambitions, and was triggered by President Yuhuyono's speech at the G 20 meeting in Pittsburgh in September 2009 in the run-up to the Copenhagen summit.

Indonesia's goal is to cut its emissions by 26% by 2020 compared with the business-as-usual level, or by 41% with international support. Norway is to pay for results – first for institution strengthening, capacity building, and the development of policy and legislation, and from no later than 2014 for verified emission reductions.

Some people ask how the goal of reducing deforestation can be compatible with governments' goals of continued economic growth and increased agricultural production. Indeed, this has been in focus in the public debate in both Indonesia and Brazil. Both governments argue that the two things are compatible, and we agree. Brazil, for example, has 40 million hectares of degraded land that could be used before more forest is cleared for agricultural production.

Incentives for both the public and the private sector must be tailored to the national context. All REDD+ activities should be embedded in national strategies and plans to combat deforestation while

sustaining economic and social growth. Countries must be held accountable for nationwide results that will trigger payments. Without a national-level approach, there is a serious risk that positive results from a project in one part of a country will be counteracted by increased forest destruction elsewhere. We are confident that the private sector can thrive in this new environment. It is all about finding the competitive advantage, the edge that will make your products stand out to climate-conscious consumers and clients.

If the international community does not act to reduce deforestation, the world may be facing costs of 1 trillion USD a year by 2100 just from climate change caused by deforestation. This figure comes from models used by the Eliasch Review. The estimated cost of reducing deforestation by half by 2020 and halting it by 2030 is only a small fraction of this. It could be achieved at an annual cost of a few billion next year, increasing to perhaps 50 billion per year in 2030. In other words, saving the world's remaining tropical forests is expensive, but is still the bargain of the century.

And the bargain is not only global – the local benefits, too, are huge. The monetary value of the steady rainfall provided by the Amazon rainforest for agriculture in South America is estimated at between one and three billion USD. The Amazon rainforest also supports the livelihoods of poor forest dwellers, such as subsistence fishing and cultivation of rubber. The value of these benefits is estimated at between 500 million and 1 billion USD a year.

The experience and knowledge we have gained from the Norwegian Climate and Forest Initiative in the last three years shows that it is possible to make REDD work if everyone is willing to make a concerted effort to bring about systemic changes. But this requires major reform, which will only be given priority if the incentives for sustainable forest management are in a proportion to the scale of the challenges. Substantial funding is needed, but REDD is affordable, and the cost of inaction is much higher. Norway is trying to do its part, but this is a huge task, and more and larger actors need to become involved, including businesses and government institutions in both developed and developing countries.

Thank you