



REDD+ finances: Current issues and questions

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“REDD+ finance mechanism and its optimum use”

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Outline

- Original aim of REDD+
- Current status of financing and challenges
- CIFOR's GCS REDD+
- Challenges for REDD+ on the ground
- Recent developments
- Open questions
- Further reading

Original idea of REDD+

- Make forest protection more profitable than forest conversion
- Pay for the opportunity cost of forest conservation (\$5-12.5B per year)
- Create a performance-based reward system through which funding delivered on conditional basis
- MRV to assure sequestration achieved in provable way



Source: Wikimedia Commons

Current status & challenges

- Scant international funding (\$10B) compared to opportunity costs
- 90% public sector and only 10% private sector
- Decrease in contributions since 2010 (Norman & Nakhooda 2014)
- Weak forest carbon market
- “Aidification” of REDD+ (Angelsen & McNeill 2012)



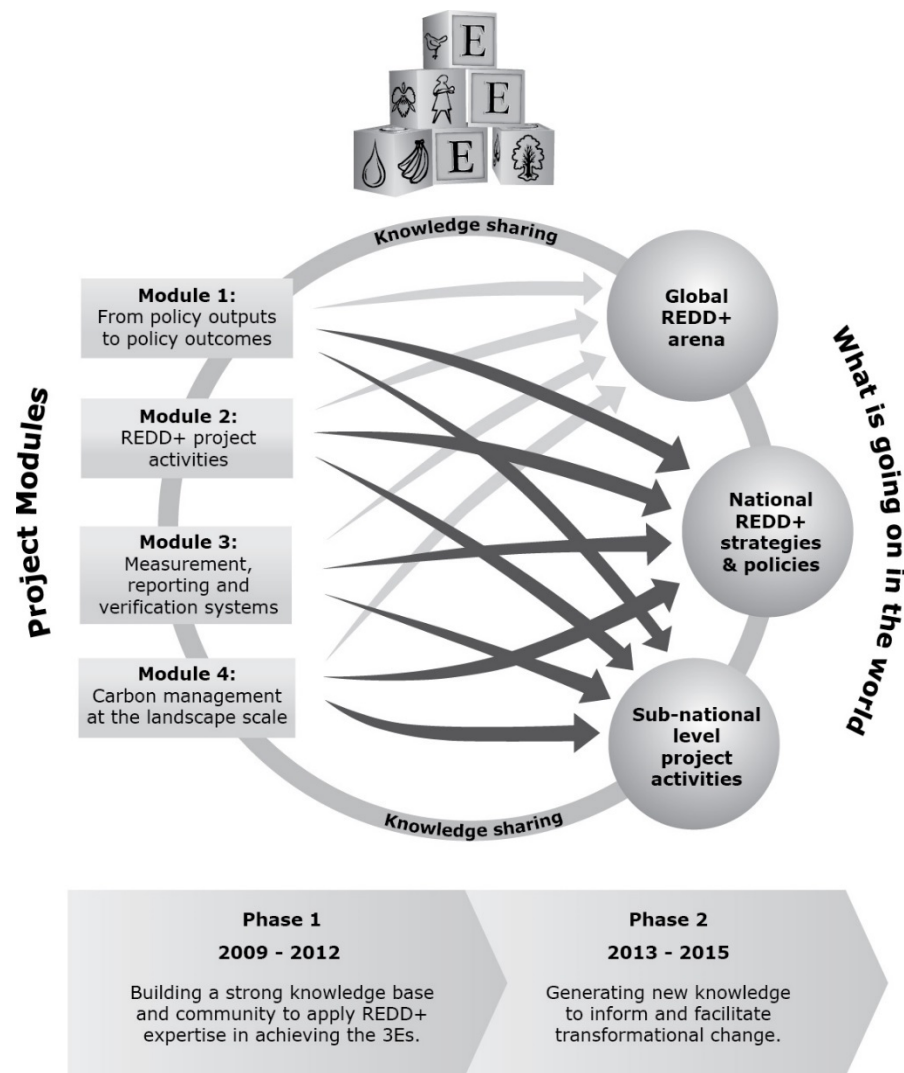
Why financial difficulties?

- Competing priorities
- Economic recession (Norman & Nakhooda 2014)
- Difficulties of REDD+ delivery => decreased pledges
- Slow disbursement of funds to pledged countries
- Failure to reach international agreement
- Private financing requires conducive regulatory environment

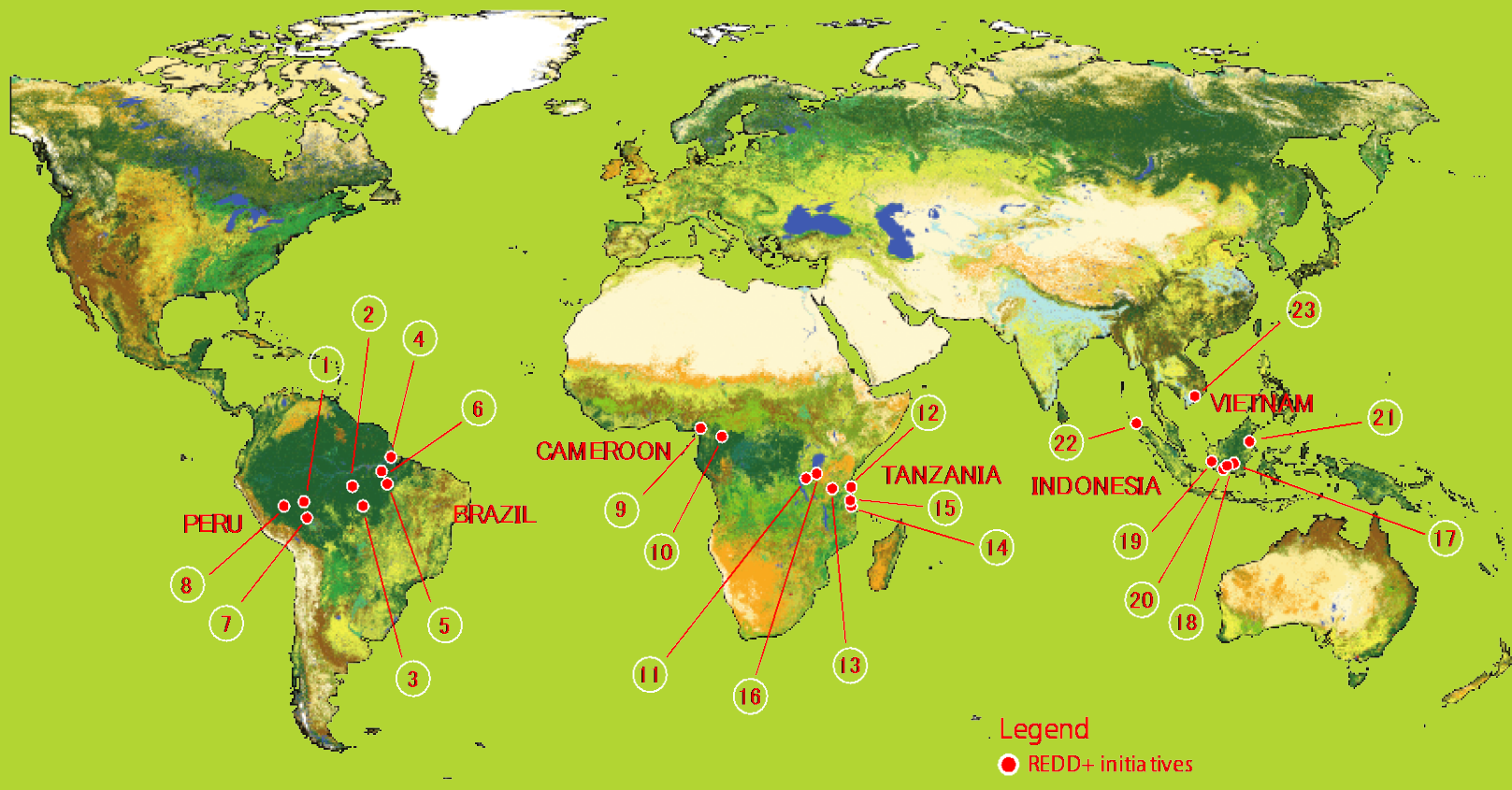
Why financial difficulties?

- Reasons for inadequate forest carbon market:
 - Low carbon prices (Norman & Nakhooda 2014)
 - ETS does not recognize REDD+ credits (Phelps et al. 2011)
 - Carbon market volatility
 - Preference for low-cost mitigation

Global Comparative Study on REDD+



Location of subnational initiatives included in the CIFOR GCS study



BRAZIL

1. Acre
2. Bolsa Floresta
3. Cotriguaçu
4. Jari/Amapá
5. SFX
6. Transamazon

PERU

7. Madre de Dios
8. Ucayali

CAMEROON

9. Mt. Cameroon
10. SE Cameroon

TANZANIA

11. Kigoma
12. Zanzibar
13. Kilosa
14. Lindi
15. Mpingo
16. Shinyanga

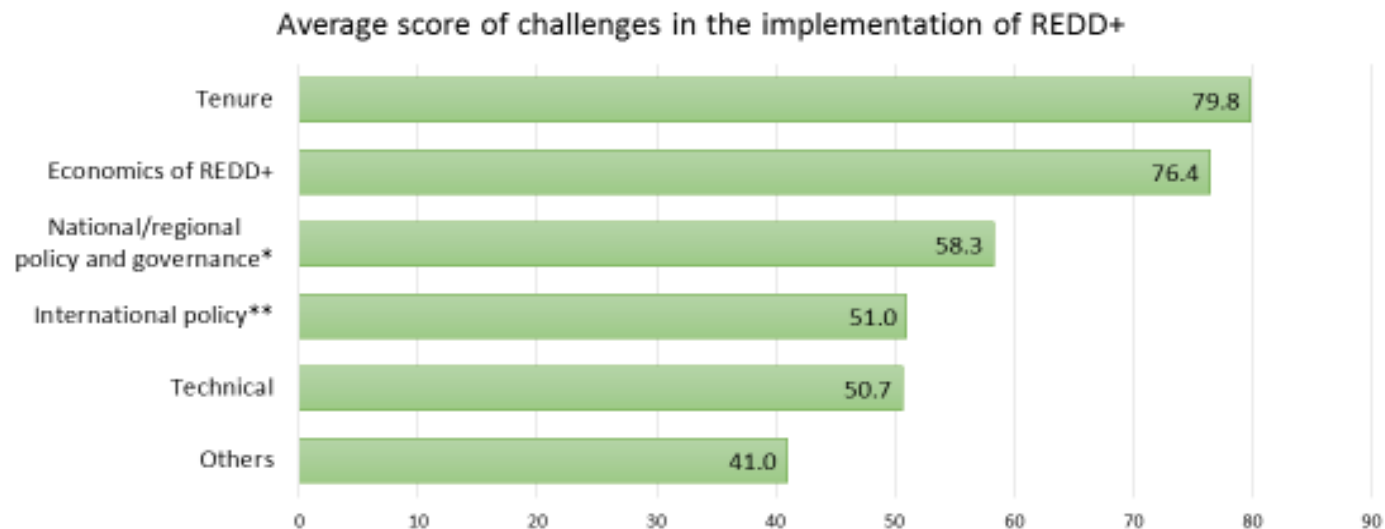
INDONESIA

17. KFCP
18. Katingan
19. KCCP
20. Rimba Raya
21. TNC within BFCP
22. Ulu Masen

VIETNAM

23. Cat Tien

Main challenges experienced by REDD+ proponent organizations



Source: Proponent challenges survey data

*excluding national factors related to tenure and economics of REDD+

**excluding international factors related to tenure and economics of REDD+

Challenges for REDD+ on the ground

- Only 4 of 23 initiatives are selling forest carbon credits
- 14 still hoping to eventually sell credits
- Only 10 have piloted conditional incentives
- Only 9 view conditional incentives as key intervention
- 6 have ceased operating
- Same trends at global level (Simonet et al. 2014)
- REDD+ on the ground “treading water”
- Without adequate REDD+ financing, by default relying mainly on ICDP approach

Sources: Sunderlin et al. (2014); Sills et al. (2014)



Recent developments

- IFF proposes “strategic intervention” to fund REDD+ (IFF 2014)
- Pledge of the Governors’ Climate and Forests Task force to reduce deforestation by 80% by 2020 if adequate funding
- COP 20 finance outcomes (CDC Climat 2014):
 - Green Climate Fund ready to deliver: capitalization; investment guidelines; financial instruments
 - GCF capitalization important for developing country confidence
 - GCF 50-50% balance between mitigation and adaptation
 - Long-term finance (beyond 2020) remains unclear



Open questions

- To what extent is a large amount of financing necessary to decrease tropical deforestation?
- Brazil has achieved a huge success in decreasing deforestation (Nepstad et al. 2014) but it is not driven by REDD+ financing
 - Rights and Resources Initiative: “Rights are key to reducing deforestation” (Stevens et al. 2014)
 - What are the opportunity costs of REDD+ that should be compensated?

More questions

- Can the Green Climate Fund grow sufficiently and (partly) substitute for the private sector?
- Are we reaching the limits of polycentric governance in REDD+?
- Is a binding international agreements an absolute necessity for durable progress?



Source: Chrismadden

Further reading

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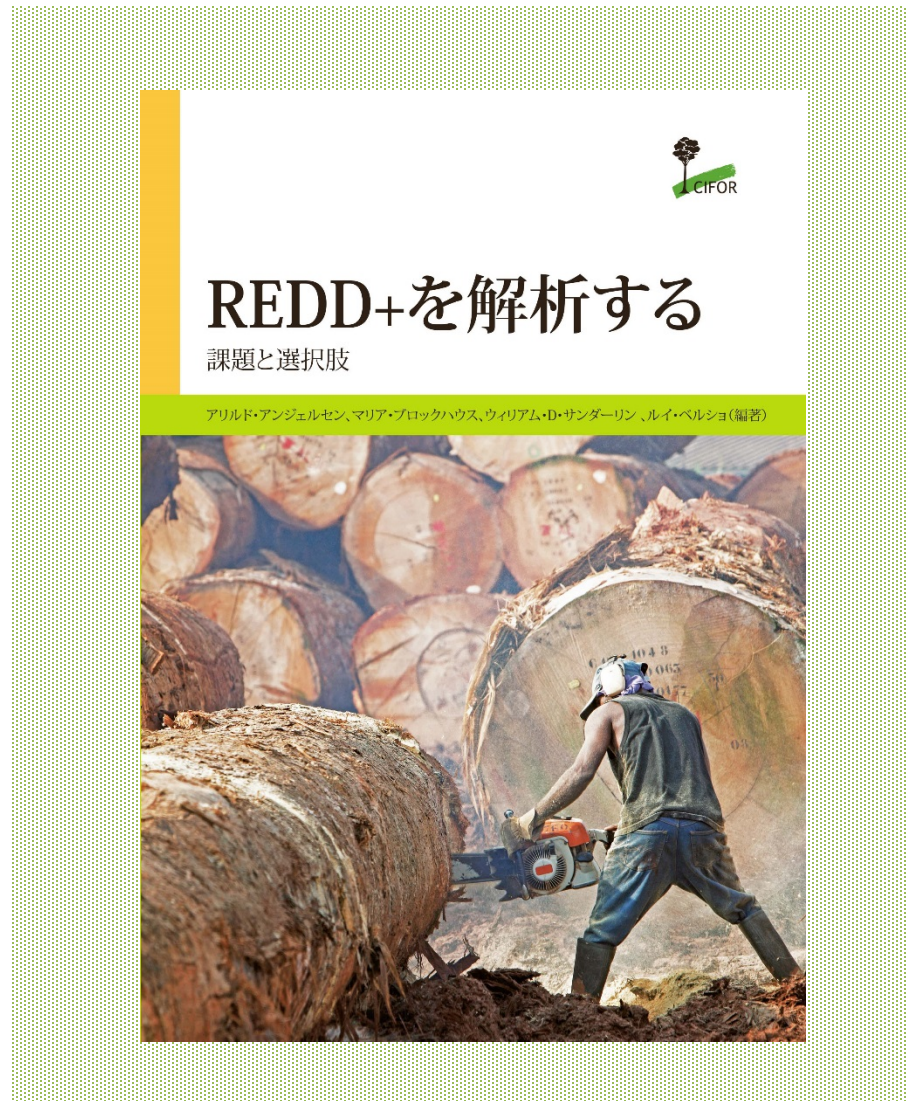


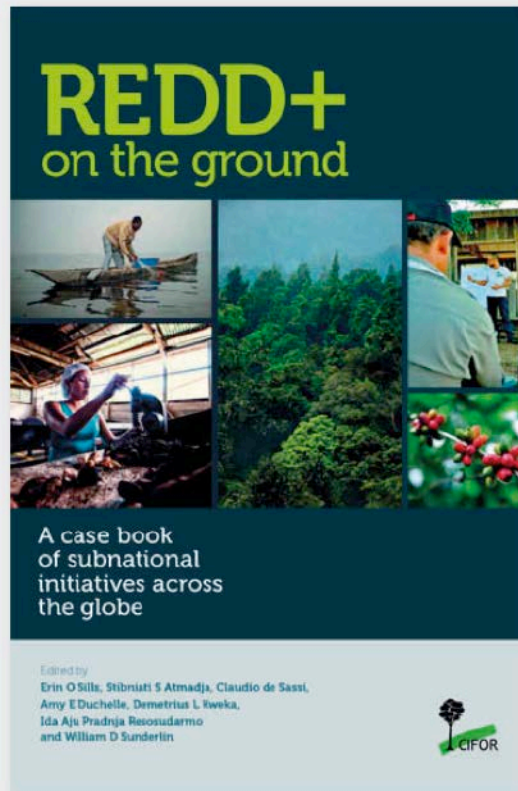
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Analysing REDD+





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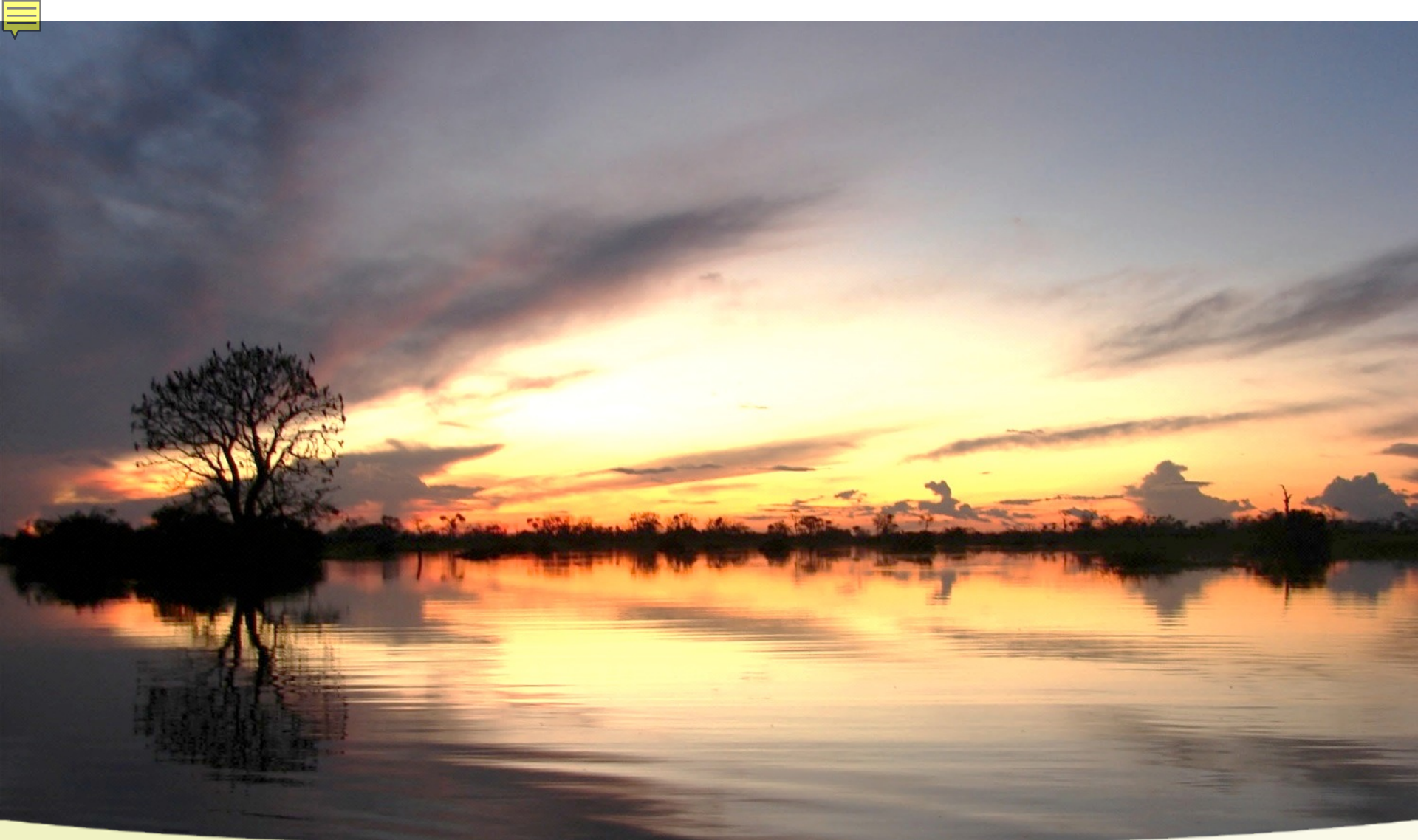


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