



A solution to climate change in the world's rainforests

By Geoffrey Heal and Kevin Conrad

Financial Times, Published: November 29 2005 20:40 | Last updated: November 29 2005 20:40

A novel economic model for reducing deforestation is being proposed by the Coalition for Rainforest Nations at the current United Nations climate change conference in Montreal. A new player in the climate change game, the coalition is proposing

economic incentives for conserving tropical forests while contributing to climate stability.

Deforestation is a big source of carbon dioxide emissions and is consequently a key driver of climate change. Formed earlier this year on the suggestion of Papua New Guinea, the coalition now includes 10 nations representing Africa, Latin America and the Pacific.

In what could be crucial to current climate negotiations, coalition countries may accept binding caps on their emissions levels in exchange for tradable emission reduction credits. In fact, these countries are being drawn toward pledging "voluntary reductions" by the prospect of access to now viable emissions reductions markets. This is the first time for any developing countries to consider mechanisms to cap carbon emissions, and the first real global move to address the growing and critical issue of deforestation.

Deforestation contributes almost as much to climate change as does US fossil fuel use. The United Nations Intergovernmental Panel on Climate Change estimates that deforestation accounts for almost 25 per cent of all CO₂ emitted in the last decade. Yet, deforestation was specifically excluded from the Kyoto protocol in 1997, which fails to address this significant source of carbon emissions.

The coalition members are acutely aware of the impact of rapid loss of forests, which damages the livelihoods of forest inhabitants, some of the world's poorest people; drives unique biodiversity to extinction; and contributes to climate change. By reducing deforestation we can help the rural poor, conserve biodiversity and stabilise the climate.

Curbing deforestation reduces CO₂ emissions just as surely as replacing coal by nuclear or renewable energy. Emission reductions from deforestation are not yet eligible for financial compensation under the Kyoto protocol, while replacing coal with renewable energy sources is. This gaping hole in the Kyoto protocol defies logic, is scientifically unsound and throws doubt on the efficacy of the entire framework.

To help level the playing field, the rules must be revised to make carbon credits from reduced deforestation tradable in carbon markets on a par with other offsets.

This would value them at present in the range of \$25 (€21) per ton of CO₂. Such a price is high enough to transform the economic incentives to conserve forests and is quite competitive with the lumber prices currently received by local communities from logging

companies. Recognising carbon credits from avoiding deforestation makes standing timber an income-earning asset worthy of conservation.

The relationship between environmental sustainability and poverty is becoming increasingly clear. Whenever communities make unsustainable demands on ecosystems, the resulting ecological breakdown leads to impoverishment, social tension and conflict. Global markets for ecosystem services, of which carbon storage is one, are part of the solution.

The coalition's proposal seeks to create new markets while reforming outmoded market and regulatory mechanisms. From the perspective of tropical countries, this change would make conservation a financially viable policy, with real economic returns. In return for agreeing to cut CO₂ emissions, they would have access to CO₂ markets.

Instead of pitting the traditional conservation groups against industrial countries and business, this model appeals to all constituencies. Few moves could do as much for biodiversity conservation while contributing to climate stability. At the same time, industrial corporations emitting greenhouse gases will welcome the additional source of carbon offsets. The US should see this as a positive move as it brings some developing countries into climate change agreements as active participants.

This proposal offers a window of opportunity for the global community to reconsider the long-term ramifications of our current deforestation policies while supporting thoughtful efforts by developing nations to address climate change.

Geoffrey Heal is professor of public policy and corporate responsibility at Columbia Business School; Kevin Conrad is director of the Coalition for Rainforest Nations at the Earth Institute at Columbia University