



global witness

PRESS RELEASE

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Commission derives credit for keeping forests out of the carbon market

FERN and Global Witness, as well as leading economists,¹ financiers² and other NGOs,³ have serious concerns about the ability of carbon markets to halt climate change.

"Entrusting the future of the planet to the market forces, in the light of recent financial turmoil, lies somewhere between irresponsibility and complete madness," said Patrick Alley of Global Witness.

The addition of cheap forest carbon credits to carbon markets can only make matters worse. Today, with the release of its '*Communicationⁱ on addressing the challenges of deforestation and forest degradation to tackle climate change and biodiversity loss*,' the European Commission put forest carbon trading on indefinite hold. The fact that the Commission has decided not to include forests in the European Union Emissions Trading Scheme (ETS), for at least a decade, and then only after certain issues have been satisfactorily resolved, is a very welcome development.⁴

"Carbon trading and forest protection are not compatible. In our view, issues such as monitoring, verification and liability, let alone 'additionality'⁵ and permanence, are unlikely ever to be resolved satisfactorily," said Patrick Alley.

The Commission considers public funding to be the most appropriate source of revenue with which to combat deforestation, at least in the medium term.⁶ Crucially, the Brazilian government supports such a fund-based approach. With more than three million hectares of forest lost each year, almost a quarter of the global total, Brazil is key to any future forest climate deal. In any event, countries with significant tropical forests such as those in the Congo Basin have such poor governance records that potential investors would most likely be deterred from investing.

Government funding is by far the most appropriate source of finance to pay for combating deforestation and forest degradation," said Alley.

Other aspects of the Communication were also encouraging. Iola Leal from FERN stated: "The Commission's acceptance that governance and local peoples' tenure rights need to be secured for any programme of forest conservation to work is very important. The first step to forest protection is a clarification of, and commitment to, local communities and indigenous peoples' rights."

FERN and Global Witness also welcome the European Commission's proposed commitment to halt global forest cover loss by 2030. However this must mean the protection of old growth forests and not the replacement of these forests by plantations.ⁱⁱ

Clearly, it is essential that Member States support the Commission's opposition to forest carbon trading in the run-up to the Copenhagen summit on climate change in December 2009," said Leal.

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Notes to editors:

- i: A Communication is a position paper by the European Commission
- ii: Forest definitions are of high importance in these debates. Plantations qualify as forests under current official United Nations Framework Convention on Climate Change and Food and Agriculture Organisation definitions. However from both a carbon and a biological diversity perspective they should be treated differently.

Useful quotes from the Communication:

“Firstly, strengthening forest governance and institutions at a local and national level is a precondition for any effective policy response... Thirdly, a comprehensive policy on deforestation cannot disregard the demand side and the responsibility of consumers... Fifthly, if policy is to be designed and implemented properly, it must be based on high-quality information. Existing forest monitoring and assessment programmes are neither complete nor integrated.” (pages 6-7)

“A Global Forest Carbon Mechanism (GFCM) should be established... It should require that effective forest governance structures are in place, and that the rights of forest dependent people are respected...” (page 11)

“Inclusion of forestry credits in the EU ETS should only be considered after a thorough review of the experience of using deforestation credits for government compliance and for the period after 2020. Full reliance on carbon value would focus solely on the services of forests as carbon stock, while not rewarding other important services that forest ecosystems provide and whose value can be significantly. This is an issue that will also have to be resolved.” (page 12)

¹ Jeffrey Sachs stated on 9 October: "Having a lot of people engineer financial instruments for carbon when there are much more direct ways to do this strikes me as not really a great investment. I'm also not so keen on sending our best and brightest off to do more financial engineering. I think the kind of (financial) meltdown we have right is a little bit of an example of how we've taken a generation of young people and put them in tasks that don't really solve social problems."

² George Soros stated on 10 October: “You must have, in my opinion, you need, for instance, a tax on carbon emissions. But that is unacceptable politically. So we are going to have cap and trade. And the trading will have all kinds of loopholes and misuse of the regulations and all kinds of ways of making money without actually dealing with the problem that it's designed to cure.”
<http://www.pbs.org/moyers/journal/10102008/transcript1.html>

³ http://www.fern.org/media/documents/document_4249_4250.pdf

⁴ The Commission states on page 10: “Recognition of forestry credits in the EU emissions trading system (ETS) would not be realistic at the present time. Emissions from deforestation are roughly three times higher than the amount of emissions regulated under the EU ETS. As the EU ETS is currently the only major operational trading system in the world, allowing companies to buy avoided deforestation credits would result in serious imbalances between supply and demand in the scheme. There are also unresolved monitoring, reporting, verification and liability questions. Forestry credits are temporary and will then have to be replaced after a certain period. This means that, if a company goes out of business, somebody would have to take on this liability to guarantee environmental integrity.”

⁵ Projects under the Kyoto Protocol's Clean Development Mechanism must demonstrate carbon dioxide reductions that would not have happened under business-as-usual circumstances.

⁶ The Commission states on page 12: “Public funding is the most appropriate way to take forward a number of essential activities - in particular capacity building, technical support for forest governance and developing the necessary technical know-how to monitor and enforce commitments. Public funding is also the most realistic tool with which to provide incentives for combating deforestation over the period 2013 to 2020.”