

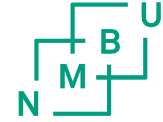
# Is REDD+ a good idea impossible to implement?



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# Outline

1. What is REDD+?
2. Is REDD+ a good idea?
3. Is it possible to implement?
4. So what?

## Notes:

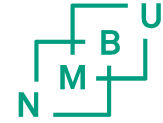
- Paint a big picture (“more on forests than on trees”)
  - “Economics of REDD+” – Handbook of For.Econ. (2014)
- Many important issues not addressed
- Hope to challenge some views
  - Too little debate and disagreement (perhaps not in France...)



# A brief REDD+ history

- **Early 1990s:** Deforestation 1/5 of GHG emissions
- **2001** - COP7: Avoided deforestation too difficult to include in CDM (+ no additionality). Only A/R
- **2005** - COP11: 2 year consultation period for RED
- **2006:** Stern report says REDD is big & cheap (& easy?)
- **2007 - COP13: RED(D) included in Bali Action Plan**
- **2007:** Norway's Climate-Forest initiative, NOK 15 bn (5 y)
- **2008:** FCPF (World Bank), UNREDD, Norway-Brazil deal
- **2009** - COP15: NO DEAL, some progress for REDD+
- **2010:** REDD+ partnership formed; Norway-Indonesia deal
- **2013 – COP19: Warsaw framework, REDD+ as aid cont...**
- 2015 – COP21: REDD part of a Paris Protocol?

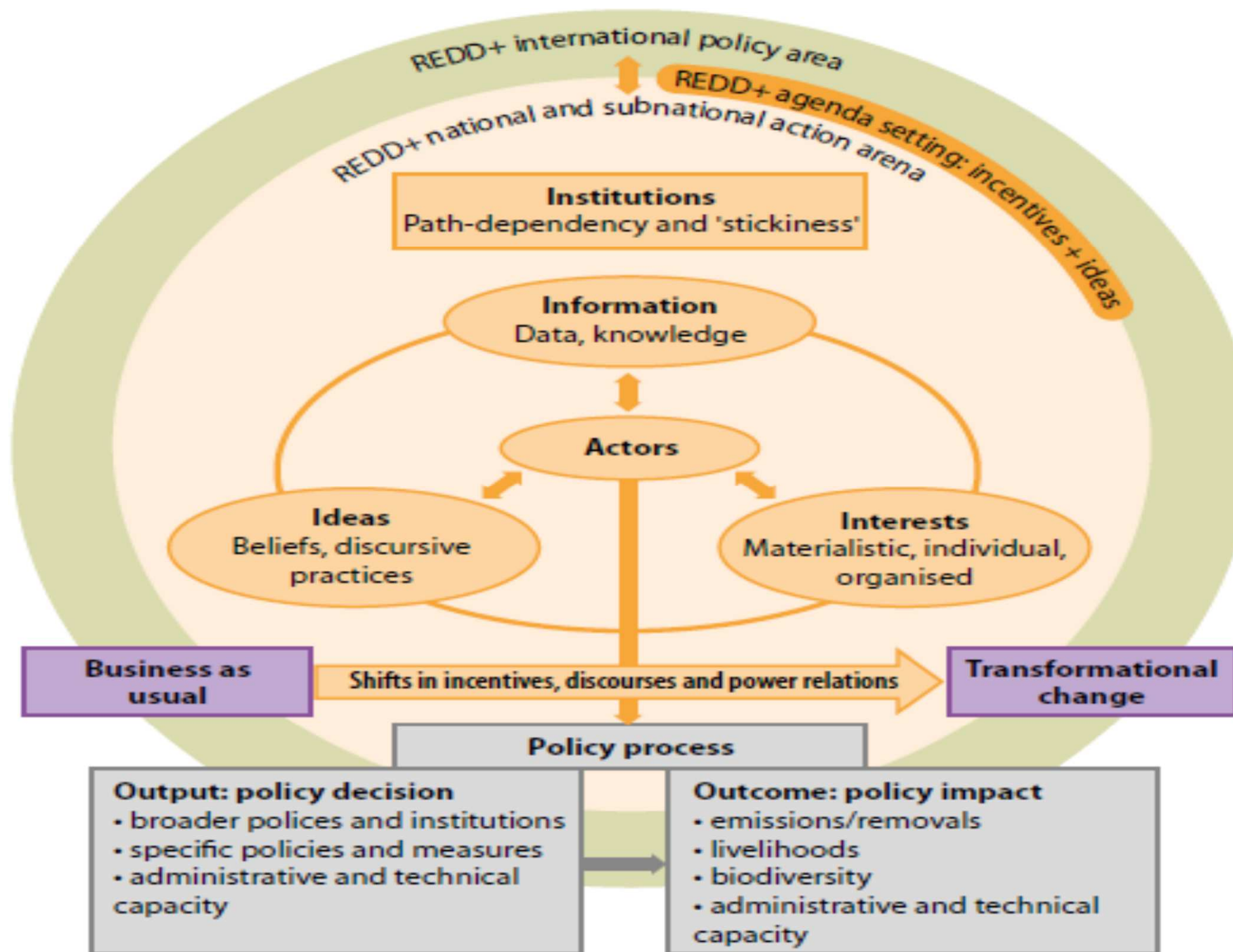
# 1. Different meanings of REDD+



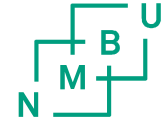
- **Aims:** climate vs. NCB
- **Policy types:** narrow (sector) vs. broad (GE); PES vs PAM
- **Scale:** inter-national, or more
- **Funding:** market vs. public
- **Scope;** including what is the «+»?
- **Aims vs. policies vs. outcomes** (where in the result chain?); «REDD is an objective»

=> REDD+ means different things to different actors

- Misunderstandings & miscommunication
- Strategic confusion
- Definition power



# Evolving REDD+



## SCALE

## AIM & MAIN POLICIES

Carbon  
w/PES

Carbon  
w/PAM

Carbon + NCB  
w/PAM

Global

**ORIGINAL  
IDEA**



National

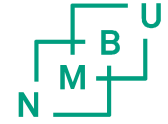


**CURRENT**

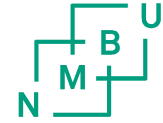
Local

**ACTION**

## 2. Is REDD+ a good idea?



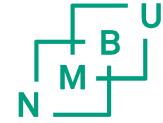
## 2.1 Has REDD+ passed «the market test»?



- Mobilized USD 5-6 billion of international funding
- Perhaps the most successful area in UNFCCC
- National REDD+ strategies
- Subnational & local projects
- ... and lots of good research
- As an idea, even more (and remarkably) successful
- Which other idea has been as successful in the field of environment and development in your adult lifetime?
  - «Sustainable development» (if your are above 50)



# Why is REDD+ a success (... as an idea)?



## 1. The need

- Need REDD+ to reach the 2° C target. Without R-E-D-D, forget 2°

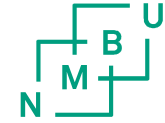
## 2. A good idea (according to many)

- Monetary **incentives**, pay (only) for results
- **National** level approach

## 3. An important political role

- Sufficiently vague to accommodate different views
- Merging different interests: REDD+ countries, Annex I countries, NGOs
- Need for success in climate negotiations

**-> A GOOD IDEA THAT BECAME USEFUL TO KEY  
ACTORS TO SOLVE A GLOBAL PROBLEM!**



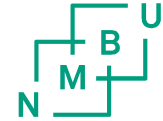
## 2.2 Is the «national approach» a good idea?

- Inevitable in the UNFCCC process
  - Inter~~national~~**nation**al
- “Projects win battles, policies win the war”
  - Dozens of examples of projects failing due to a hostile policy environment
  - How do we explain changes in deforestation and forest degradation?
- National governments as a driver of change?
  - Subnational /jurisdictional approach
  - Bottom up?

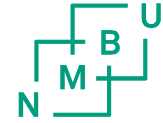
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=> national policy changes the key to success

## 2.3 Will economic incentives (PES) save the forests?



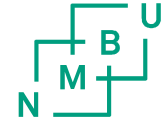
- “You cannot eat community rights for breakfast”
  - People respond to economic incentives, *inter alia*
  - **Test question:** What explains big changes in deforestation: change in economic incentives, or change in intrinsic motivations?
- Crowding-out of intrinsic motivations?
  - “Pay enough or don’t pay at all” (Gneezy & Rustichini, QJE 2000)
  - The opposite: crowding-in effects (e.g. Brazil)
  - The Le Grand hypothesis: S-shaped relationship



## ...economic incentives

- Common claim: “it does not address the underlying causes/drivers”
- To an economist, it *does* address *the* underlying cause of D&D
  - Collective action (not only local, but global)
  - A negative externality, correct that market failure
  - Transfer a global WTP to forest decision makers

### 3. Is REDD+ impossible to implement?

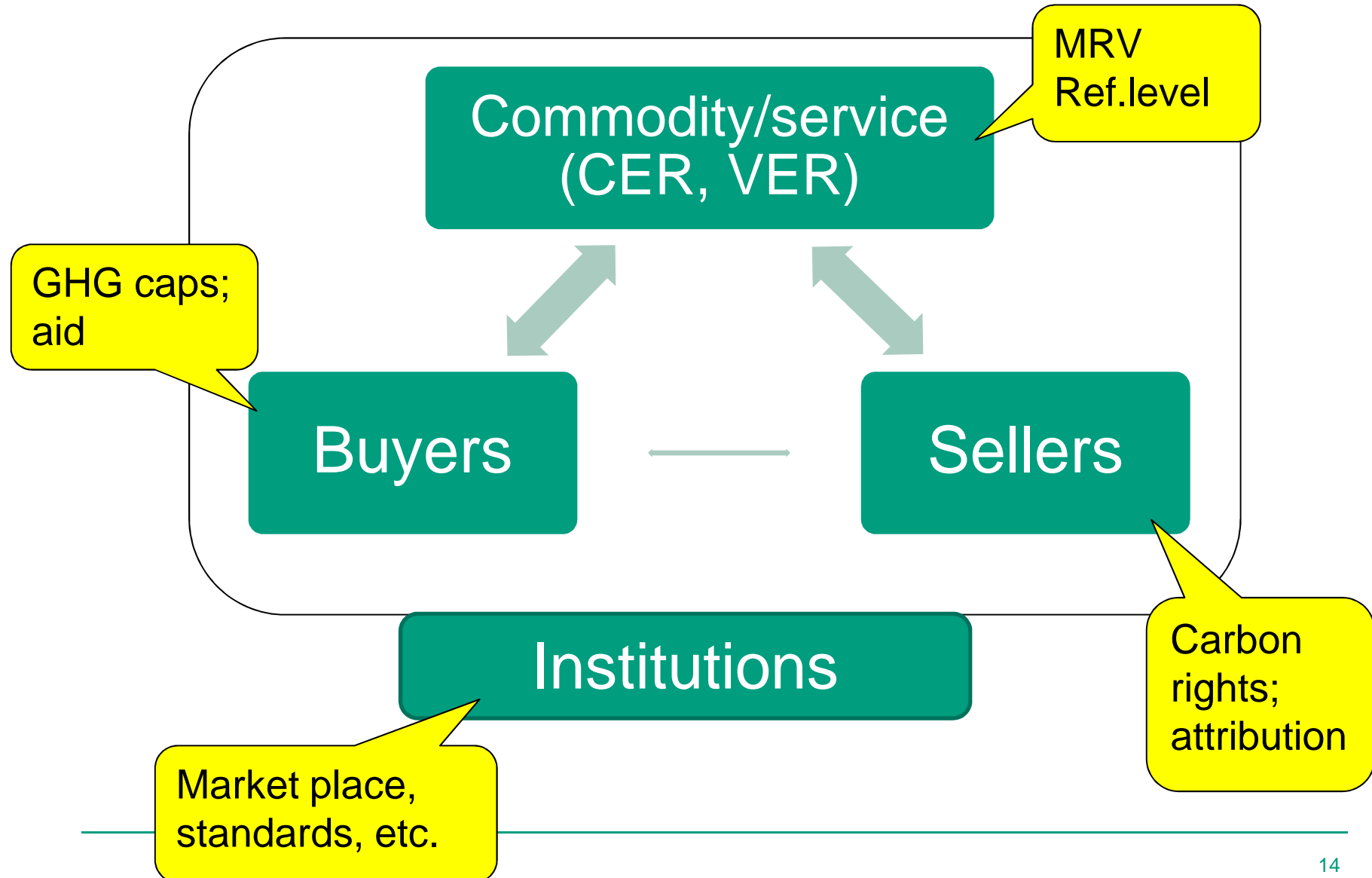
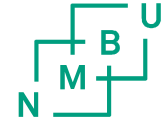


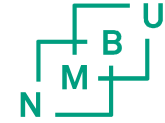
Different angles to answer that question:

1. Challenges (incl. technical) in creating a result-based system (e.g. a market)
2. Fundamental political (economy) issues
3. Ideologies, misconceptions and flaws in the debate



### 3.1 Can we create a market for REDD+ credits?



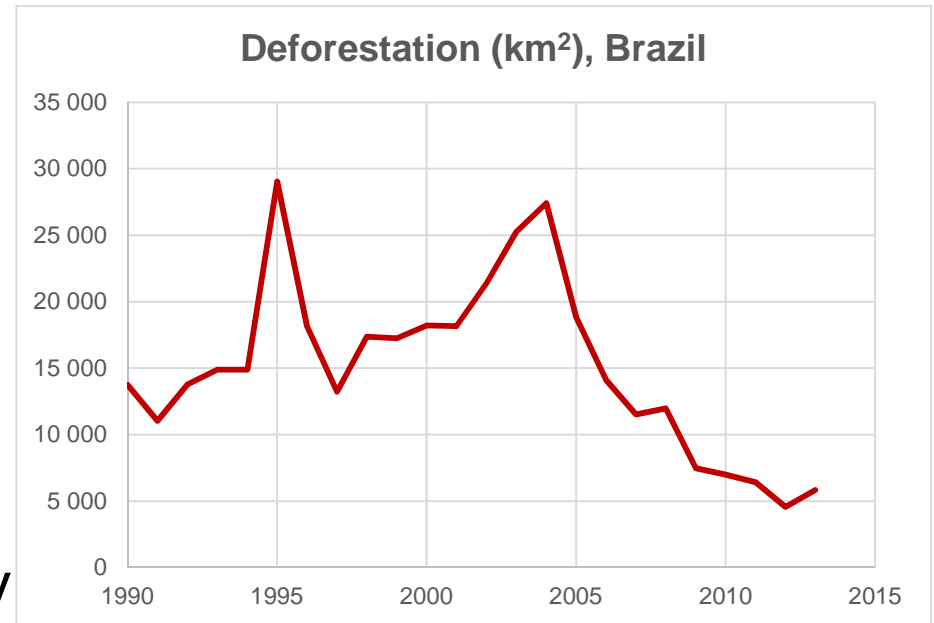


# Institutional preconditions

- Forest rights & tenure
  - Critical
  - A long term project
- The problem of **attribution**
  - Not building a road, avoid in-migration and forest clearing
  - Who has the rights to the avoided DD of national policies?
- Compensate illegal users
  - How was rights legality defined in the first place
- “Uncooperative commodity” (Esteve Corbera)

# The role of RL: Norway – Brazil deal

1. Formula in agreement:
  - baseline: deforestation last 10 years
  - updated every 5 years
  - 100 C/ha, USD5/CO<sub>2</sub>
2. Alternative formula:
  - last 5 years, updated annually



Year	1. Actual RL	2. RL=last 5 years
2009	2,213	1,707
2010	2,298	1,060
2011	1,814	733
2012	2,153	789
2013	1,920	301
Total (\$bn)	10,398	4,590

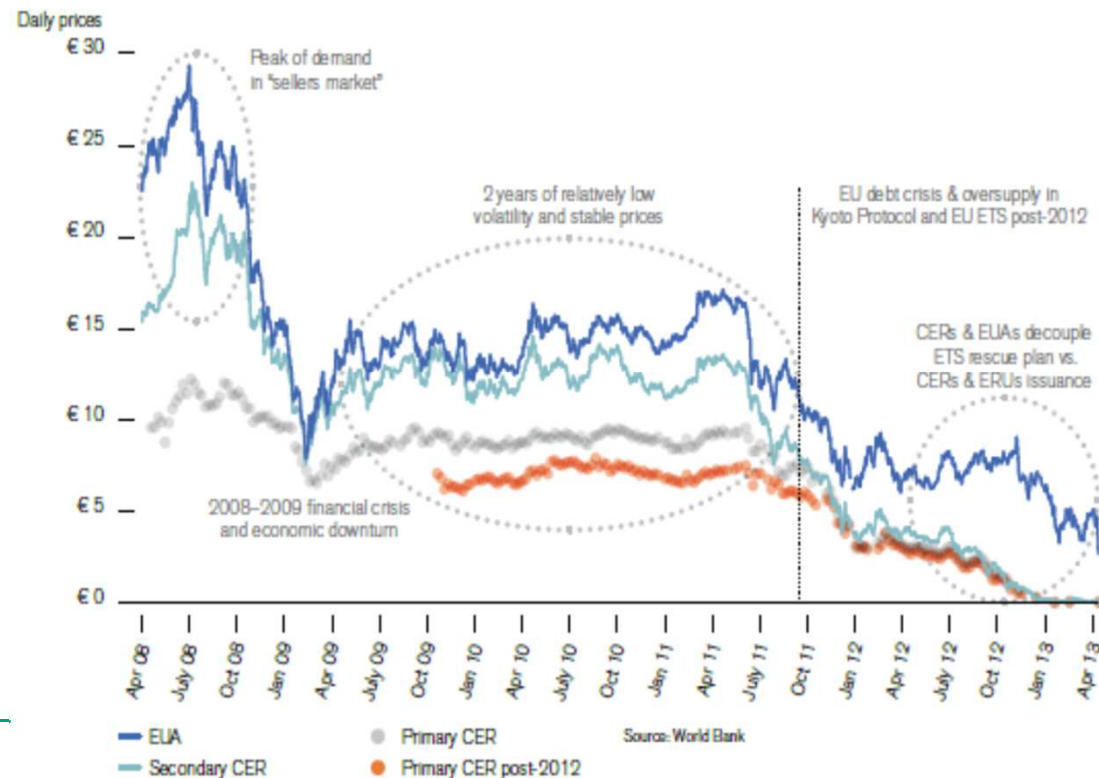


# REDD+ is expensive

50% reduction, USD 5/tCO<sub>2</sub>: USD 12-13 billion/year  
(at the same time a spending problem)

- Carbon market?
  - The original idea
  - ETS collapsed
  - Paris Protocol in 2015?

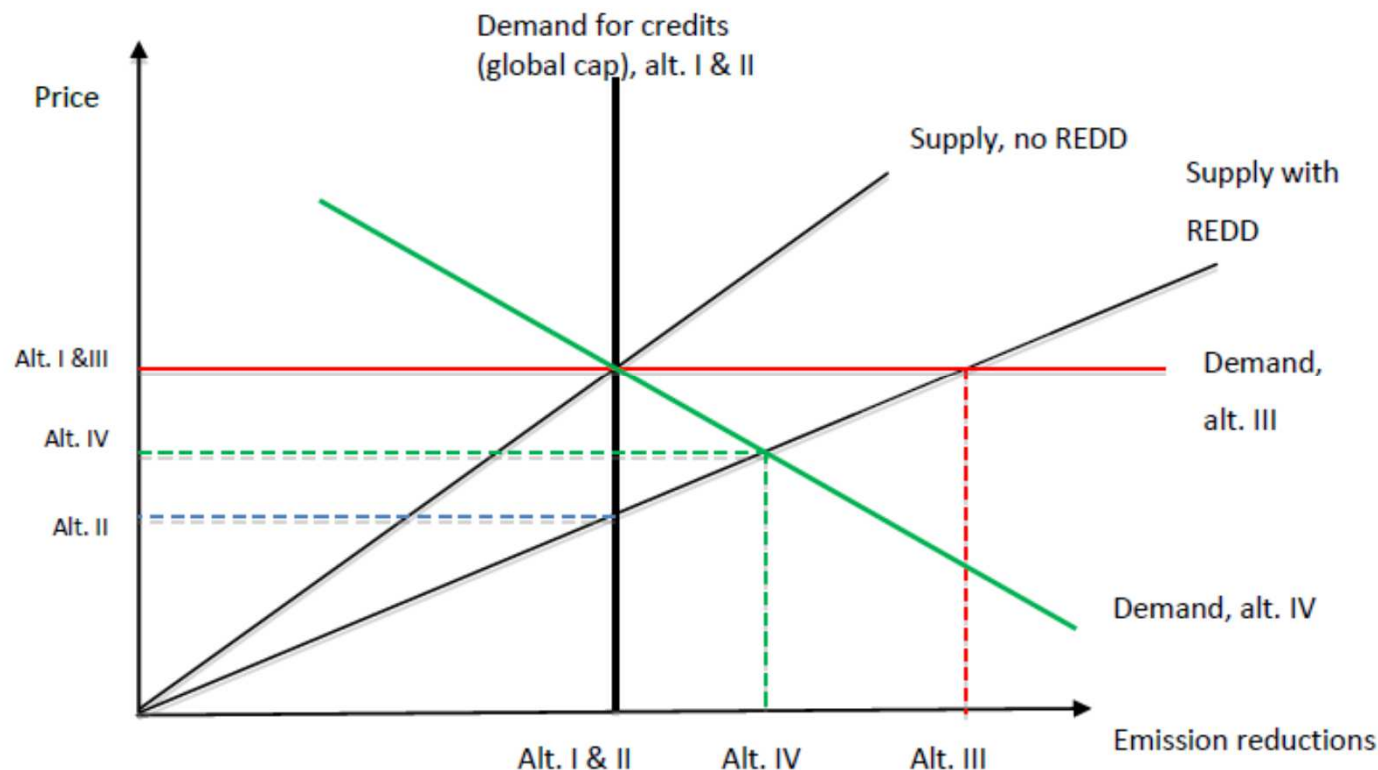
Figure 4: EUA and CER prices (2008–2013)



# REDD credits in a carbon market?



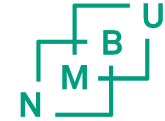
- Needs to do a lot more to define REDD credits
  - MRV – a minimum standard
  - Reference levels and additionality (cf. CDM)
- Crowding out effects?



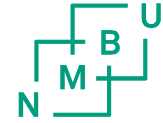
- I:** Initial situation, no REDD
- II:** REDD, no change in cap: 100% crow.out
- III:** REDD, no change in price, 100% additional
- IV:** REDD, no change in costs

# Options for REDD inclusion

(Angelsen et al. 2014)



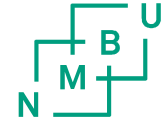
Options	Details
1.Simultaneous political decisions	Decisions on REDD inclusion is accompanied with tighter global emission cap
2.Flexible caps	Overall cap depends on carbon price and degree of REDD inclusion
3.Discounting of REDD credits	More than one REDD credit used for offsetting is equivalent to one non-REDD credit used for offsetting
4.Restriction on demand or supply of REDD credits	A cap on how much REDD that can be used as offsets (demand restriction), or how much a REDD country can supply
5.Banking of credits	Surplus carbon credits in current period can be used for compliance in later periods
6.Tighter reference levels	RL set below BAU for REDD, i.e. some reduction done by country before REDD credits can be supplied in the market



# Result-based aid?

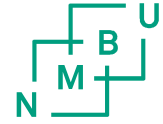
- The aidification of REDD
  - REDD as a form of budget/programme support
  - Several challenges (Angelsen, 2013; WIDER report)
- 
1. Spending pressure
    - Donors are not tough (not even the World Bank)
  2. Defining performance criteria and measure them
    - Moratorium, MRV framework, national strategy (LoI)
  3. Reference levels
  4. Risk sharing
  5. Putting money behind the promise

## 3.2 Can REDD+ change the basic deforestation logic?



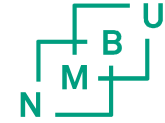
- Don't have the money to do that, as argued
  - Deforestation increasingly driven by large, well-connected commercial actors
    - Is it politically acceptable to use dev.aid to pay oil palm companies in Indonesia or farmers with >50 000 ha in Brazil to cut deforestation?
  - Is REDD+ projects targetting the wrong agents, i.e. working (only) with local communities?
    - The worthy
    - The cheapest
    - The easiest
    - The most exciting
- 
- But are they also the responsible?

### 3.3 Has REDD+ implementation been made unjustifiably difficult?



... by environmental and development NGOs, researchers, and (other) policy makers?

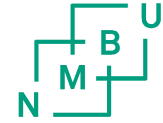




## a. The standard critique

- Leakage (spatial displacement)
  - Permanence – reversal (temporal displacement)
  - Additionality
  - Local participation
  - Measurement problems
- 
- Have these problems been exaggerated?
  - They are not unique to REDD+,  
but these issues not discussed as much in other sectors

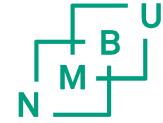
## b. Overloaded with good intentions?



- Many objectives
  - How many birds can one kill with one stone?
  - The Tinbergen rule:
    - min. one policy tool per policy objective
  - «Optimal ignorance»
  - Realism
- Example:
  - “REDD+ can be a vehicle for transformational change”  
(Brockhaus and Angelsen, 2012)
- We are asking a lot from REDD+!



## c. The requirements for REDD+ implementation



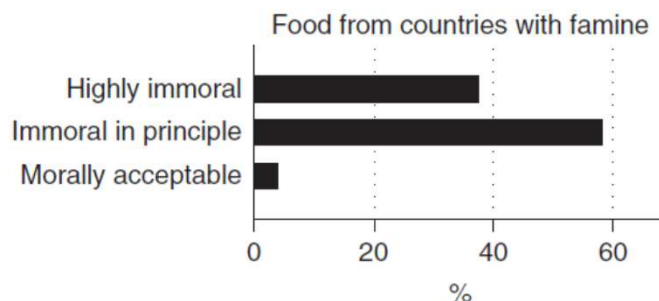
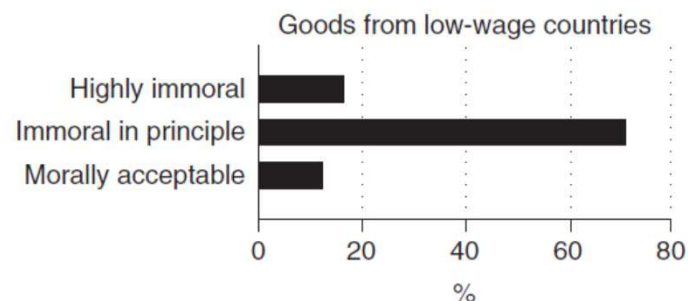
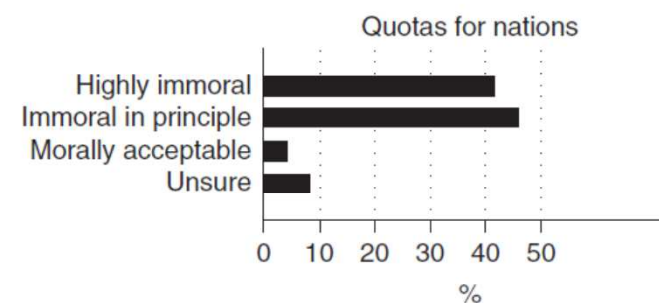
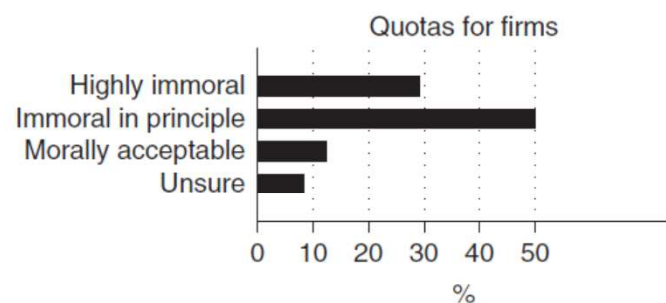
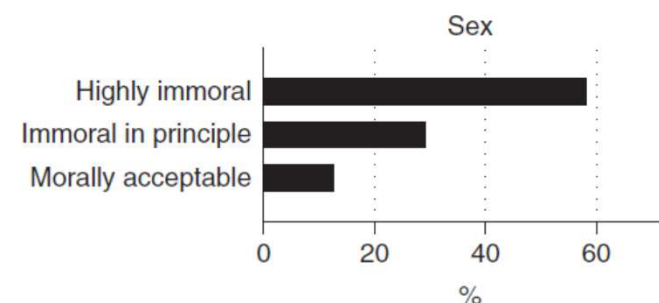
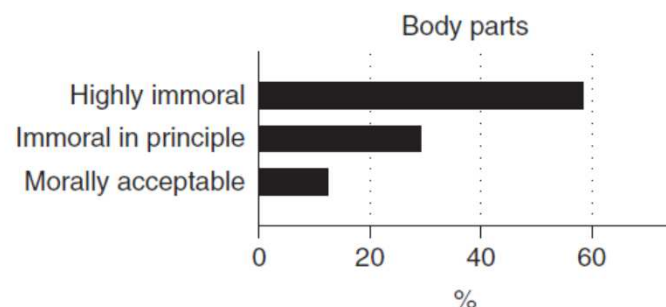
Example: Tenure

- Critical to establish a PES system, but
- Most effective national policies
  - Protected areas
  - Roads
  - Agricultural prices and subsidies
  - Off-farm employment
- Do these require tenure reforms, decentralization etc.?
- Rarely heard: we can do a lot without addressing tenure!
  - Not enough focus on PAMs?
- **Paradox:** Tenure reforms most needed for the policy (PES) that tenure-reform-advocates are most critical to

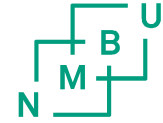
## d. Carbon, kidneys & sex



The three things considered immoral to trade;  
Norwegian experimental study among students



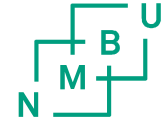
Source: Bråten et al. (2011).



## ... carbon, kidneys & sex

- **Is carbon markets = prostitution?**
  - The offsetting idea: REDD+ to do more, or to do less?
  - The ideological opposition against PES and markets
  - To some: no difference between a REDD district and a RED LIGHT district
- 
- **Is carbon = coffee?**
  - The framing of REDD+ as selling the forests to outsiders, as “commodification” of forests, rather than offering a new cash crop that villagers can choose to “grow” if they want

# The conservation debate 20 years ago



- “Rainforest crunch” hypotheses
  - Exaggerated
  - Still, important: PEN: 28% environmental income (WD SI, 2014)
- Local communities suffer from exploitation of forests by outsiders
- The basic economic incentives missing

Comparing the current REDD+ debate

- Many inconsistencies
- Failed to see the opportunities?

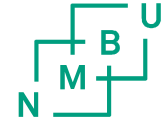
# Are we (*read: others*) victims of the “nirvana fallacy”?



*“The view that now pervades much public policy economics implicitly presents the relevant choice as between an ideal norm and an existing 'imperfect' institutional arrangement. This nirvana approach differs considerably from a comparative institution approach in which the relevant choice is between alternative real institutional arrangements.” (Demsetz, 1969)*

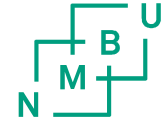


# Is REDD a good idea impossible to implement?



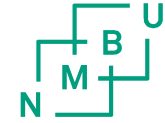
- A quite good idea
  - To reduce GHG emissions
  - Economic incentives (in spite of behavioural econ.)
  - National policies
- Impossible to implement?
- If REDD = PES: **yes**
  - Extremely difficult to do textbook PES
  - The lower the scale, the more difficult
  - The difficulties were underestimated by many
  - How far from the textbook can it be and still work?
- If REDD+ = broad set of policies: **no**
  - If difficult, then a political economy issue

# Is the title asking the right question?



- If *REDD+ as an objective* impossible to implement, then we are in big trouble to reach the 2 degree target
  - Climate change too important to *not* give it a go
- Is the better question:
  - How can we improve REDD+ (in a broad sense) to make it work?

*“Policies are experiments, learn from them!”*  
(Kai Lee, 1993)



# Future research

Much exciting work ahead & many issues under-researched:

- International processes
- Big actors at local and national levels
  - Poor peasants more cooperative as research partners
- Effectiveness of national policies
- Effectiveness of local interventions
  - “Pilot and persuade”
  - Field experiments to pre-test real interventions
- Mechanism design
  - How imperfect can a mechanism be and still work?
- Behavioural economics: not only pecuniary incentives





- REDD+ is the biggest forest project in our lifetime
- Our good research can make REDD+ better, and then make a difference for the climate and for people

