



# media release

**Australian Council for International Development**

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## **Can Money Grow on Trees? Reducing Emissions from Deforestation (REDD)**

A new report by the Australian Council for International Development (ACFID) and the Australia Institute warns that future carbon offsetting schemes which involve forests and land use in developing countries carry significant risks for Australian investment. These must be overcome if REDD's potential is to be achieved.

Such schemes, known as 'REDD', involve compensating developing countries that reduce carbon emissions from deforestation and land degradation. Australia is angling to purchase carbon offsets in countries like PNG and Indonesia in a future carbon market.

*Can money grow on trees? Reducing emissions from deforestation and degradation (REDD) in developing countries*, authored by the Australian National University's Associate Director at the Centre for Climate Law and Policy, Andrew Macintosh, identifies a number of challenges associated with possible future REDD schemes.

"We need to beware of carbon traders bearing gifts," said Marc Purcell, Executive Director of ACFID.

"A worst case scenario is that REDD schemes become unaccountable and bring no financial benefits to poor communities, with revenues going into the pockets of dodgy companies or dubious officials.

"There is a risk that Australian companies could be fooled into thinking they are being green buying REDD offsets on a future carbon market, when a lack of transparency and poor forest management may mean that carbon emissions are really leaking from forests into the atmosphere.

"If money is really to grow on trees as some hope, and REDD schemes are to benefit communities, they must have sound governance, ensuring real reductions on the global carbon footprint and the maintenance of local communities' rights," he said.

Author Andrew Macintosh explained that REDD schemes offer hope that if developing countries reduce their deforestation, carbon emissions will be reduced overall. The schemes also promise massive revenues from wealthy countries flowing to developing countries in return.

"Deforestation and changes in land use are currently responsible for up to 12% of the world's carbon emissions," Dr Macintosh said.

"Well-designed REDD schemes can help reduce poverty, protect biodiversity and promote more sustainable futures in developing countries. However, we need to make sure that REDD schemes are designed to reduce their possible negative side-effects."

Australia is a leader in working in developing countries such as Indonesia and PNG to pilot REDD schemes through its aid program. As we and other nations prepare for the next UN Climate Change meeting in Mexico in November, ACFID is calling for solutions to climate change to be based on a sustainable development framework.

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**For a full copy of the report go to [www.acfid.asn.au](http://www.acfid.asn.au)**

The Australian Council for International Development is an independent national association of Australian non-government organisations (NGOs) working in the field of international aid and development.

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## Key Findings on Development Issues – *Can Money Grow on Trees?*

**1. REDD schemes should not exacerbate poverty and should equitably distribute benefits to vulnerable communities:** Australia should support participating developing countries to ensure that the poorest communities in these countries are not negatively affected by any REDD scheme. This could include by requiring appropriate consultation with affected communities, appropriate devolution of revenues, access to resulting employment opportunities and fair compensation for any foregone benefits at the local level.

**2. The rights of local communities must be supported by social safeguards:** Australia should ensure that a REDD scheme does not threaten the rights and interests of Indigenous peoples and local communities in developing countries. Furthermore, appropriate social safeguards need to be put in place to ensure local rights and interests are given appropriate consideration and protection in international and domestic decision-making processes.

**3. REDD must be supported by capacity-building activities financed by developed countries:** Any REDD scheme must be supported by a continuing Australian commitment to long-term capacity building for REDD in participating developing countries and to greater adaptation financing made over and above current aid projections. Such funding should not result in the reduction or redistribution of funds from existing poverty reduction programs.

**4. Weak governance arrangements present a significant barrier to a successful international REDD system:** Australia should address the significant governance risks associated with any international REDD scheme, including corruption and the misappropriation of REDD revenues. This is particularly pertinent considering the difficulties associated with monitoring land use and the lack of capacity to enforce property and land-use laws and support landholders and others to address REDD in those countries.

**5. An effective international REDD scheme requires participating developing countries to have the systems in place to ensure real emission reductions:** Australia should ensure that the basic operational requirements for an effective REDD system are established in participating developing countries to ensure legitimacy and environmental integrity, particularly given the barriers to real emission reductions including the lack of reliable, accurate and transparent forest monitoring systems.

**6. A REDD system must rely on an accurate and transparent system for setting emissions baselines and measuring forest carbon emissions:** Australia's support for an international market-based REDD scheme should be conditional on the establishment of an accurate and transparent mechanism for setting emissions baselines and measuring forest carbon emissions.

**7. The establishment of an international REDD scheme will take time and require continued investment in the conception phase to ensure effectiveness:** Australia should continue to invest in base-level capacity building and trial and demonstration of REDD projects to ensure any scheme it supports is well designed and administrated to mitigate potential adverse impacts. Political and economic imperatives for rapid progress should not undermine the scheme design process.

**8. A staged and cautious approach should be adopted for the introduction of any market-based scheme:** Although a market-based approach to REDD has the potential to bring significant benefits, we must remain wary of the associated risks. If a market system is not designed and administered appropriately, it could have significant adverse climate, environment, social and economic impacts. A staged and cautious approach should be taken to the introduction of a market-based scheme. This should start with capacity building and demonstration projects, coupled with an interim fund-based scheme to support early action. Graduation to a full market-based scheme must be contingent on the production of evidence that the risks can be appropriately managed and that the national and international frameworks are sufficiently robust and transparent to support an environmentally and socially credible scheme.

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