

Financial incentive mechanisms for ecosystem co-benefits

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Promoting Ecosystem Co-benefits in REDD+
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Overview

- REDD-plus implications for biodiversity
- Synergies with biodiversity: Promoting biodiversity co-benefits in REDD
- Beyond co-benefits: multiple payments for multiple benefits
- Key messages and conclusions

International REDD design elements

- **Scope:** REDD, REDD+
- **Financing:** Market, fund, phased
- **Baselines/reference levels:** National, sub-national
- **Permanence**
- **Gross vs net deforestation**
- **Local communities and indigenous peoples**

Eg. REDD Scope and Financing ...and implications for biodiversity

- **Scope**

- **REDD** = reducing emissions from deforestation and forest degradation
- **REDD+** = REDD, including conservation, sustainable forest management, and enhancement of carbon sinks
 - Some

- **Financing**

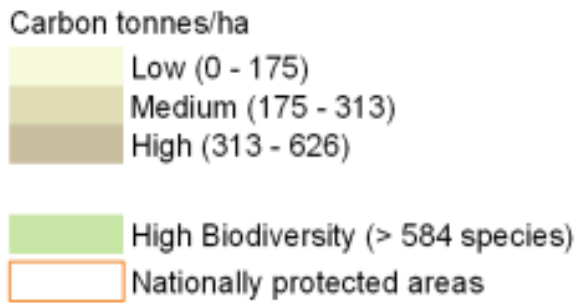
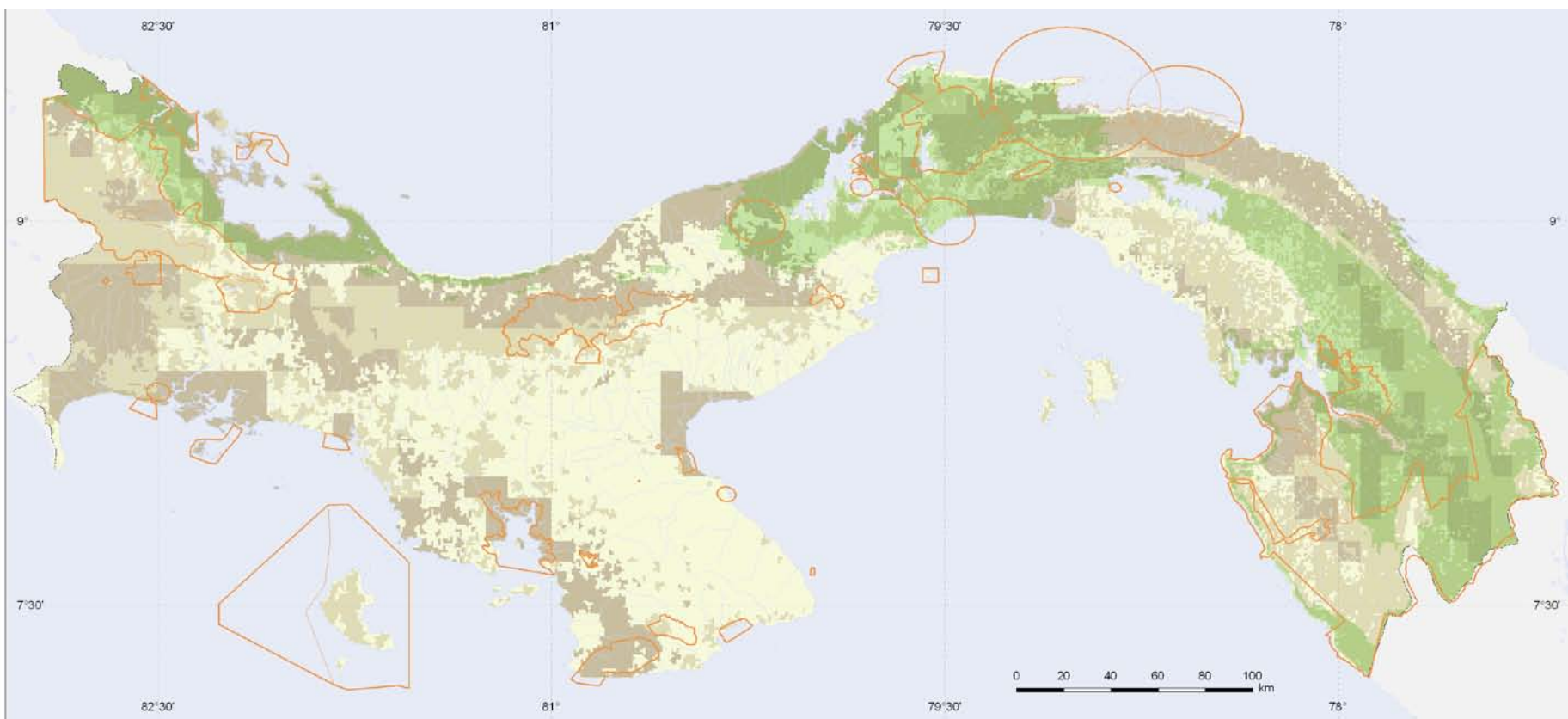
- **Market:** REDD credits would need to be fungible with existing AAUs. Units therefore in tCO₂e. Market-based approaches likely to mobilise higher levels of sustainable and long-term finance due to ability to fully engage the private sector. Hence more REDD-plus

Promoting biodiversity co-benefits in REDD

- **Based on economics of targeting multiple ecosystem services: spatial cost-benefit analysis**
 - A. Identify areas with high ecosystem service benefits
 - B. Identify areas with high risks of deforestation and degradation
 - C. Evaluate opportunity costs

Then... Develop policies and incentives to capture benefits

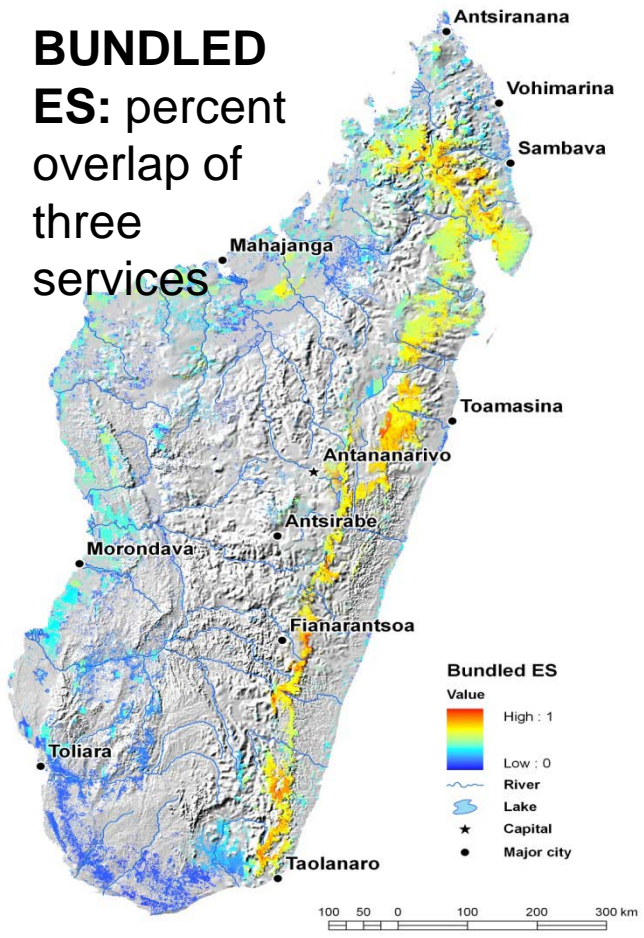
- **Data and economic estimates of (A) can highlight where government or private-sector REDD investors can get 2 benefits for the price of 1.**
 - Some tools and blueprints:
 - National gap analysis by CBD Programme of Work on Protected Areas...



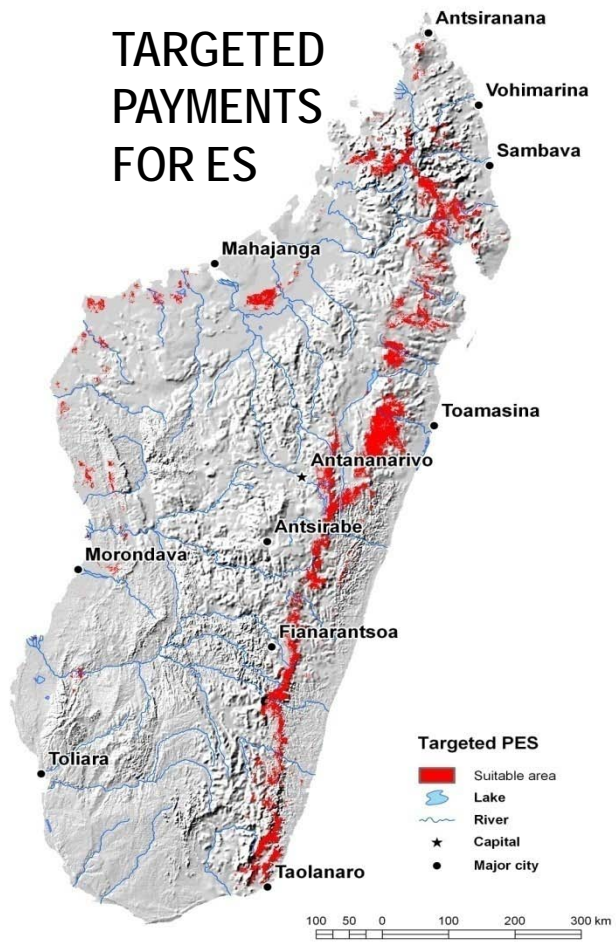
Panama: 20% of carbon stored in high carbon, high biodiversity areas

Targeting payments in Madagascar

BUNDLED ES: percent overlap of three services



TARGETED PAYMENTS FOR ES



Beyond biodiversity co-benefits:

Multiple payments for multiple services

- Payments for biodiversity can be:
 - voluntary vs. regulatory
 - fund-based vs. market-based
- Voluntary initiatives to bundle carbon and biodiversity are emerging
 - e.g. CCBA, Plan Vivo, CarbonFix... i.e. **green** REDD credits
 - Good but may not provide the scale necessary to significantly alter behaviour and impact biodiversity at global scale
- Other regulatory mechanisms and policy approaches for biodiversity are likely to be needed

Key messages and conclusions

- Successful REDD –plus mechanism will likely lead to substantial biodiversity co-benefits
- Ensure appropriate level of biodiversity safeguards in REDD-plus where needed. For example:
 - If A/R activities included in REDD, safeguards to avoid mono-crop plantations
 - Propose safeguards to ensure if net, rather than gross, deforestation rates used to estimate emissions, that loss of mature forests can be avoided
 - Support local and indigenous stakeholder participation in REDD to account for their knowledge and role in biodiversity conservation and sustainable use
- But *over-emphasis* on biodiversity-related criteria imposed on REDD-plus can increase transaction costs, and may consequently be counter-productive for biodiversity. Need appropriate balance - REDD is ultimately for GHG emissions - do not overload UNFCCC mechanism

Key messages and conclusions

- Invest international biodiversity financing in economic valuation and spatial mapping of biodiversity (and ecosystem) benefits.
- For OECD countries, biodiversity funding should aim to complement REDD financing e.g. for high biodiversity/low carbon areas
- REDD demonstration activities provide an important opportunity for biodiversity policy-makers to promote and financially support biodiversity monitoring, reporting and verification
- Consider creation of a technical expert group to establish best practice guidelines and principles
- Further work in the near future to analyse experience with different REDD demonstration activities and gather lessons learned

Thank you

- [OECD \(2009\) *Promoting Biodiversity Co-Benefits in REDD*](#)
- [OECD \(2004\) *Handbook on Biodiversity Valuation*](#)
- [OECD \(forthcoming, 2010\) *Enhancing the Cost-Effectiveness of Payments for Ecosystem Services*](#)

www.oecd.org/env/biodiversity

www.oecd.org/env/cc/redd

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