



Project Note: Kolombangara Island Carbon Project

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Overview

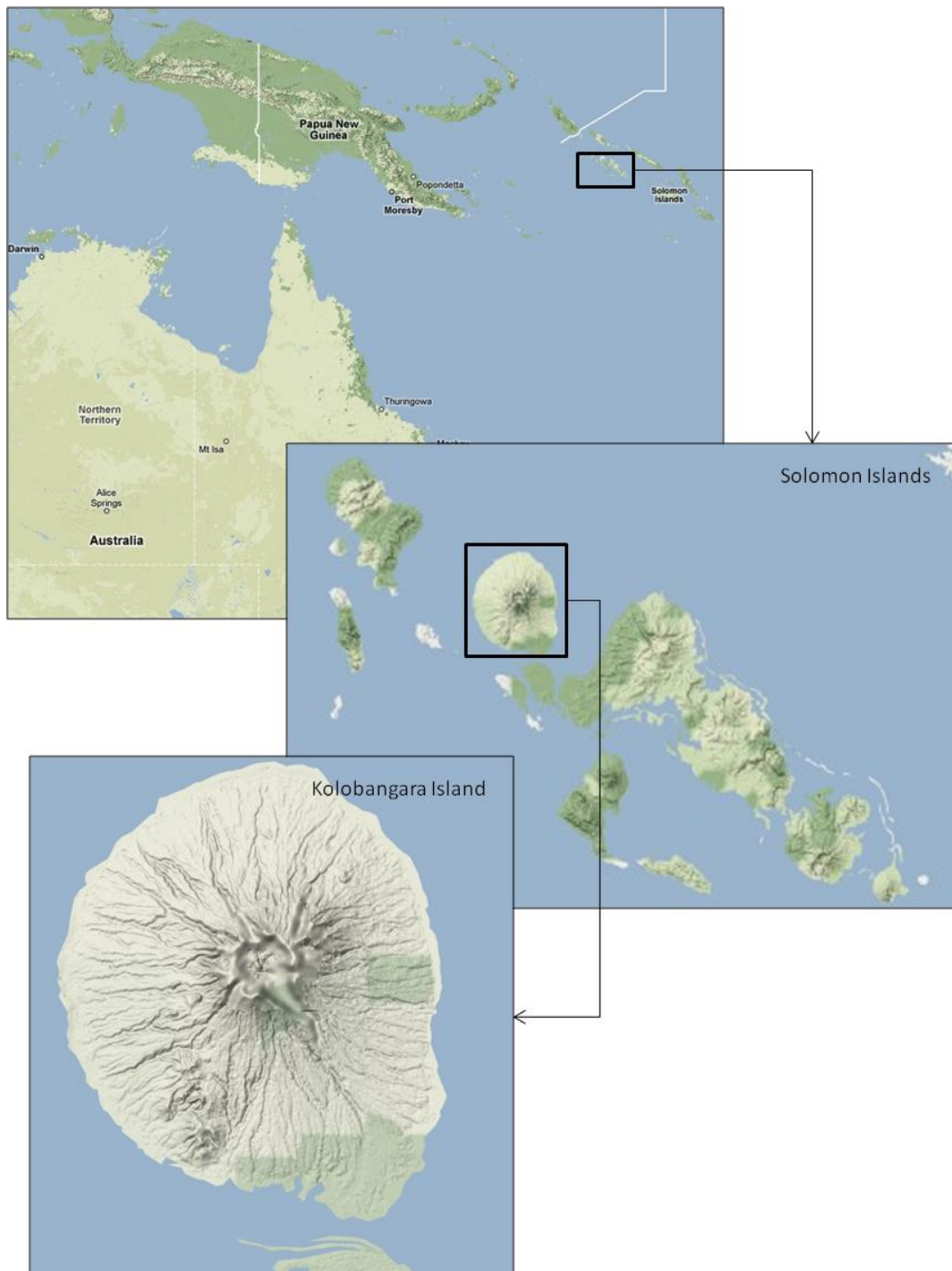
Kolombangara Forest Products Limited (KFPL) (www.kfpl.com.sb) is a company owned by the Government of the Solomon Islands (represented by the Investment Corporation of the Solomon Islands ICSI) (40%) and the Tropical Timber Fund (TTF) (60%). The majority interest of TTF in KFPL is managed by New Forests Asset Management ("New Forests"), a Sydney Australia based forestry investment management and advisory services firm (www.newforests.com.au). KFPL operates commercial plantation forestry activities on Kolombangara, an island located in the Western Province of the Solomon Islands (map 1). Kolombangara is the cone of an extinct volcano and contains some of the most fertile soils in the Solomon Islands. KFPL has under its stewardship 39,000 hectares--12,000 ha of Forest Stewardship Council (FSC) certified tropical hardwood plantation, 2,500 hectares of cleared land previously used for cattle grazing and suitable for reforestation, 8,000 hectares dedicated to FSC certified natural forest harvest, and approximately 16,500 hectares of intact primary forest above 400 meters elevation. .

New Forests and KFPL are currently proposing to develop a multi-type carbon project on Kolombangara. The project consists of both Reduced Emissions from Deforestation and Degradation (REDD) and Reforestation activities. The carbon project is in the early development stage after New Forests and KFPL recently learnt that native rainforests under

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conservation management within the KFPL license area are under threat from a third party commercial logging operation. This project note provides preliminary information on the project and discusses potential collaboration with the BioCarbon Fund of the World Bank.

Map One: Location Map



About Kolombangara and KFPL

Kolombangara is a volcanic cone rising to about 1600m, and until 1972 offered a unique and continuous range of forest types from littoral forest at sea level to dwarf cloud forest at the summit. In 1972 a forest ecologist, Tim C. Whitmore, made a plea for dedicating a part of Kolombangara as a national park, preserving a slice of the Solomon Islands flora intact. The decision not to adopt Whitmore's idea is particularly regrettable given the subsequent degradation through logging of much of the lowland and mid altitude forest throughout the Western province of the Solomon Islands.

In 1974 Levers Pacific Timbers (LPT) was awarded a 999 year lease of the government owned portion of the island (now KFPL lease land) and commenced logging. LPT continued to operate through to 1986. Over half of the forest from the perimeter road to 400m altitude was logged and mostly replanted. Kolombangara was subjected to probably the most intense logging of any island in the Solomon Islands. LPT had established a market for small logs which meant that they could harvest trees down to 30-40cm dbh and markets were established for virtually every species of commercial size - those for which a specific market did not exist were bundled into mixed red and mixed white timbers.

The centre of the island (above 400m) still supports Kolombangara's original virgin native forest. This forest comprises the original higher altitude forests and land use types. In addition 'virgin' forest is maintained in three reserves that extend from the shoreline to the higher elevation forests. The greater part of the forests had been completely eliminated prior to any involvement of KFPL. The vegetation on the lower slopes now consists mainly of plantations of a mixture of exotic and local tree species. KFPL's work program since 1994 has included the establishment of plantations on areas previously logged under the LPT regime. KFPL was the first plantation forestry operation in the Pacific to be FSC certified and has maintained its status as an FSC certified timber producer for over ten years.

KFPL has a mission "to maintain KFPL as a forestry company providing plantation-based timber and products that meet the highest international standards of sustainability whilst promoting economic and social development for the people of the region."

Project Description

KFPL management recently received a letter seeking permission for right of way to log current conservation forest areas within the KFPL license area. . From this it became apparent that the native forests, currently under conservation management, and located above the 400 meter contour line are threatened by a pending commercial logging operation. The commercial logging operation poses an immediate threat to pristine native rainforests and will degrade ecosystems that provide clean water and other resources to the local communities on the island. By developing a carbon project on the threatened lands, revenues generated from the carbon project could replace those that the Solomon Islands Government would have received from breaching the KFPL license agreement and issuing a logging license. The implementation of a carbon project will allow KFPL to protect the forests and generate additional socio-economic returns to local communities and other KFPL stakeholders.

The carbon project could be based on three project methodologies within the KFPL estate:

1. Avoiding forest degradation for lands above the 400 meter elevation where the forest is expected to be selectively logged using the typically destructive methods seen elsewhere in the Solomon Islands.
2. Avoiding forest degradation within the KFPL estate where 8,000 hectares under reduced impact logging could be converted to a conservation management regime.
3. Reforestation of the former cattle station that has now been returned to KFPL ownership

Further Project Details

Project start	2010
Project lifetime	60 - 100 years
Crediting Period	Project Type 1 - 5 years, 1 million tonnes CO2-e Project Type 2 - 20 years, 400,000 tonnes CO2-e Project Type 3 - 20 years 750,000 tonnes CO2-e
Credits generated	New Forests estimates that the project will create 2.15 million carbon credits over the crediting period

Project methodology

New Forests would likely utilize available resources to develop the project methodology internally with the assistance from external consultants. New Forests can also utilize resources from the Noel Kempff AD project, the World Bank, the VCS and any future methodologies submitted to the VCS or other similar bodies.

Rights to sell carbon

At this stage we have not been able to determine if KFPL has the rights to the sale of the carbon contained in the forest. In 1989 KFPL commenced a 75 year lease that gives the company access to the land for timber production and extraction. The lease does not explicitly state or imply that the sale of carbon that has been sequestered on “Project Lands” is prohibited, and therefore perhaps we can assume that KFPL can sell carbon credits. KFPL is seeking legal advice on this matter. Under a World Bank sponsored project we would expect that the Solomon Islands Government to be a full partner and endorse the process as a potential catalyst for further carbon conservation projects across the country.

Working with the Government

An initial workshop was held on October 6 in Honiara, the capital of the Solomon Islands. The workshop included the board of international NGO Forest Trends, government officials, local NGO’s, forest industry representatives and community groups. The conference was opened by Prime Minister Derek Sikua, who spoke of the critical need for the Solomon Islands to find new economic opportunities to replace the destructive logging that has accelerated in the last few years. Discussions suggest that KFPL is the ideal initial project, given that it has secure land tenure, documented threats and carbon management opportunities, and a private sector counter-party with sophisticated knowledge of the carbon markets (New Forests).

New Forests and KFPL are committed to demonstrating that a carbon project could be successfully implemented in the Pacific Islands. In a meeting held on October 11 with the Australian High Commissioner to the Solomon Islands, the Australians offered their support to the project, and would hope it could catalyze further carbon investment from Australia in the Solomon Islands.

Alignment with the World Bank

The World Bank states the direction of their work in Solomon Islands under the Regional Engagement Framework for the Pacific Islands. The World Bank's regional strategy focuses on creating an environment conducive to generating sustainable economic growth and employment, while recognizing the significant development challenges.

Under the Solomon Islands chapter, the Regional Engagement Framework states that *“The Bank will also maintain an interest in developments in the forestry sector to identify whether opportunities exist to strengthen the management and sustainability of forest exploitation. There are serious concerns that the current rate of logging is far greater than what can be sustained.”*

The Kolombangara Island Carbon Project described in this document could assist the World Bank in achieving their desired outcomes in Solomon Islands, by demonstrating sustainable forest management, reducing natural forest logging and contributing to the economy. The development of this project will also provide new information to World Bank on current rates of logging, drivers of deforestation and community impacts.

Next Steps

KFPL via New Forests seeks World Bank BioCarbon Fund support for project development and documentation. In return we would be willing to enter into long-term contractual commitments for carbon stock conservation and conservation management of large components of the KFPL license area. New Forests has begun to work with a group of collaborators including Forest Trends, the American Museum of Natural History, Conservation International, the Australian Government and the Solomon Islands government to progress this project as a pioneering venture for the country.

We would be happy to provide further information to the World Bank BioCarbon Fund in order to assist your consideration of KFPL as a project within the Fund.