Green economy transformation processes catalyzed as a result of REDD+ strategies and investments

Clarifications related to: "Technical advice in support of investment options for REDD+"

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Cancun Agreement

- "… social and economic development and poverty eradication are the first and overriding priorities of developing countries …"

- "a paradigm shift towards building a low-carbon society … offers substantial opportunities … and sustainable development"

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Green Economy

- … results in improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities

- understands that

  - we are reaching <u>limits</u> in our use of the natural environment and that *the true environmental and social costs of our current economic model must be taken into account* in devising any future development solutions

  - explicit in addressing the need for a *balance between income growth, jobs and equity*
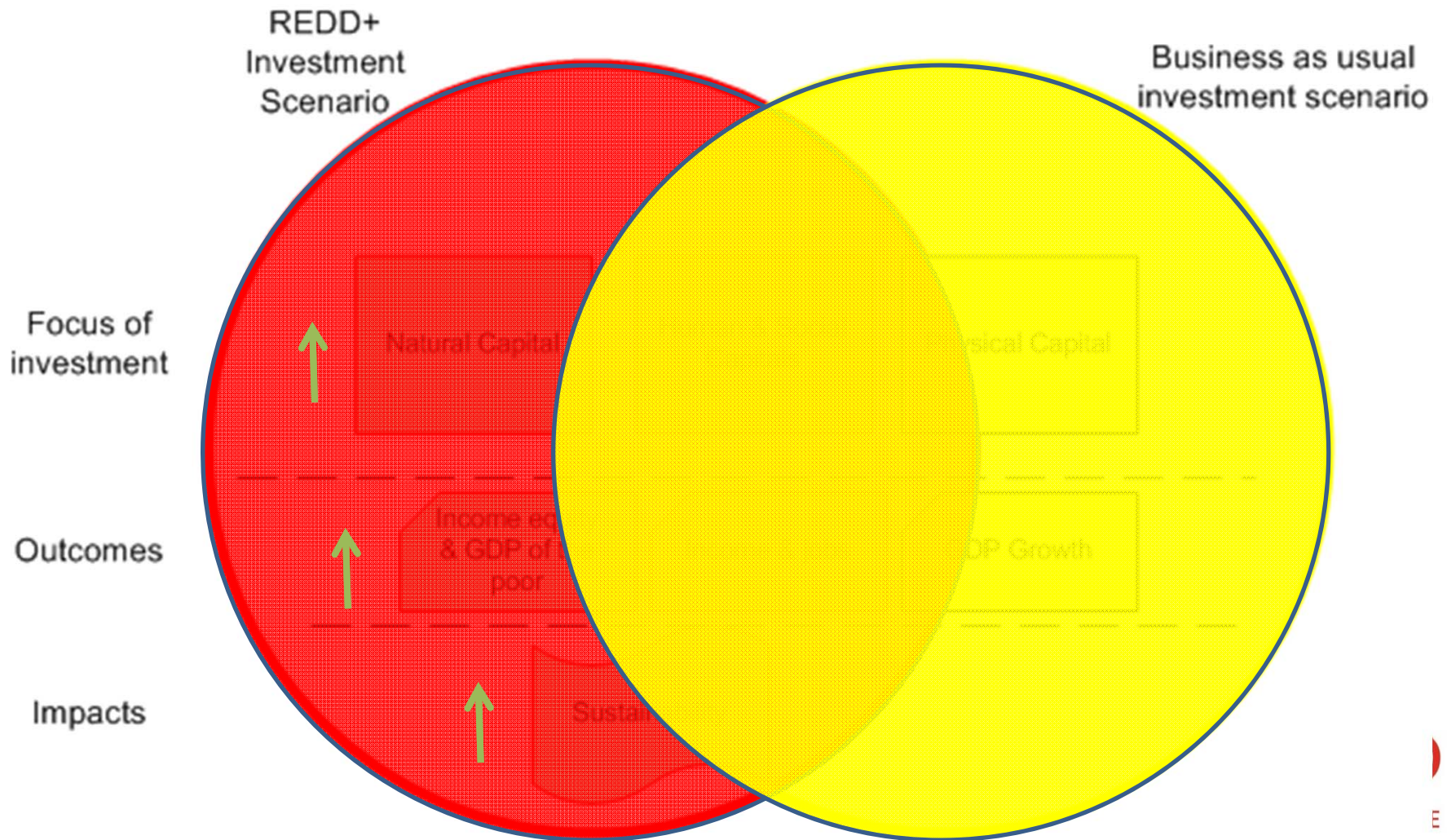
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A mutually beneficial relationship?
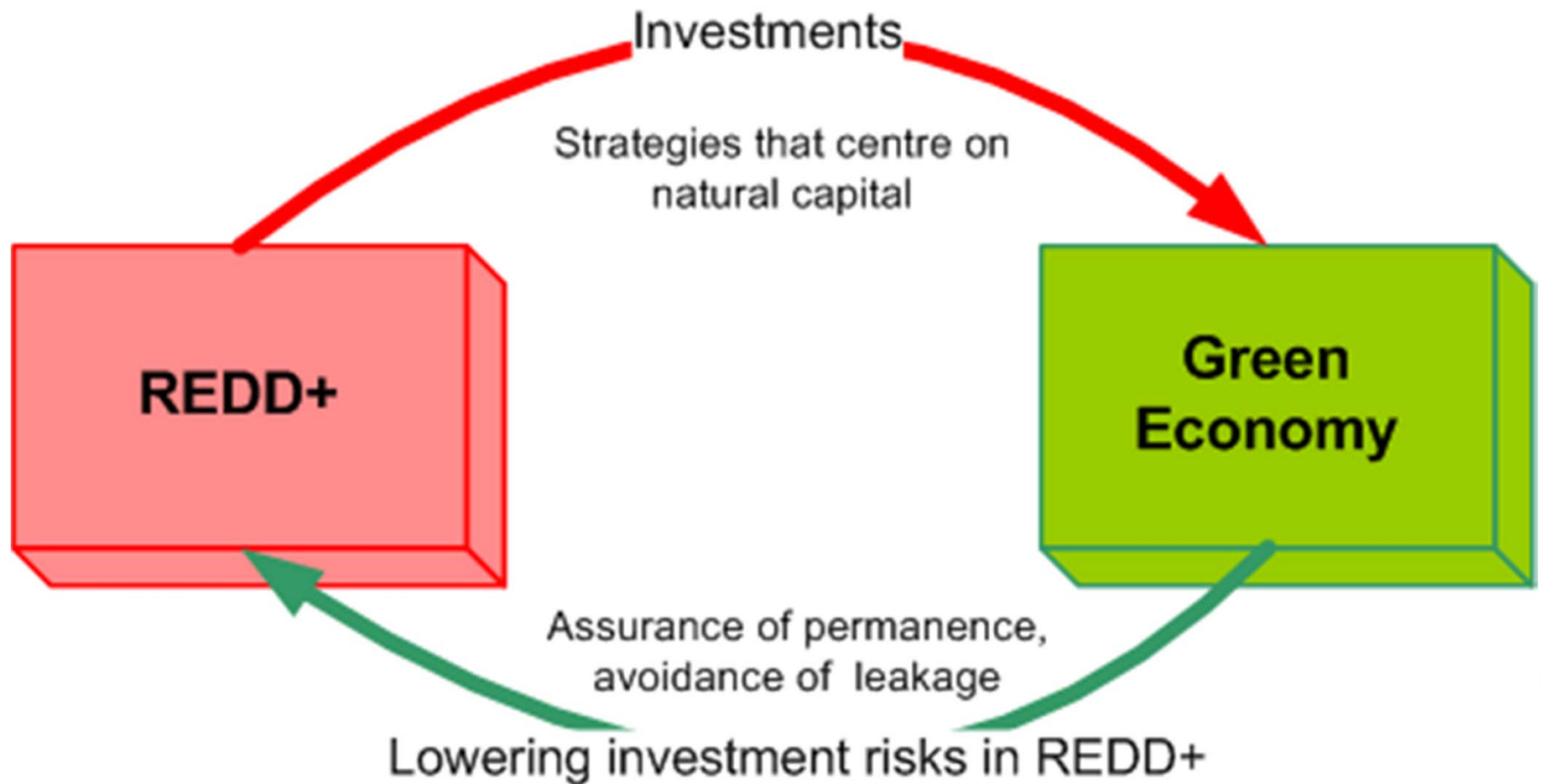
Using REDD+ as a catalyst

The focus of 6.2

- Develop storylines (scenarios) that capture and synthesise information as a means of placing investment decisions within a broad context and exploring alternatives.

- Employ a range of quantitative, computer-based tools that allow the integration of economic, biophysical and social information

- Deliver results that aim to support decision and policy making for practical outcomes

Some examples …

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Spatially Explicit Scenario Analysis of implementing

Indonesia's Forest Moratorium

Environmental and Socioeconomic Tradeoffs for the Kalimantan region

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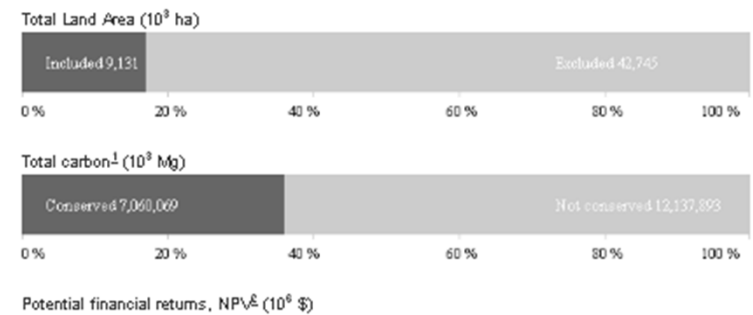University

www.reddcalculator.com

Checki it out!

Spatially Explicit Scenario Analysis of implementing Indonesia's Forest Morato...

Environmental and Socioeconomic Tradeoffs for the Kalimantan region

Indicative Forest Moratorium Map

Summary outcome

Total Land Area (10^3 ha)

Included 9,131 — Excluded 42,745

Total carbon[1] (10^3 Mg)

Conserved 7,060,069 — Not conserved 12,137,893

Potential financial returns, NPV (10^6 $)

Let's take another example...

MASTERPLAN
ACCELERATION AND EXPANSION OF INDONESIA ECONOMIC DEVELOPMENT 2011-2025
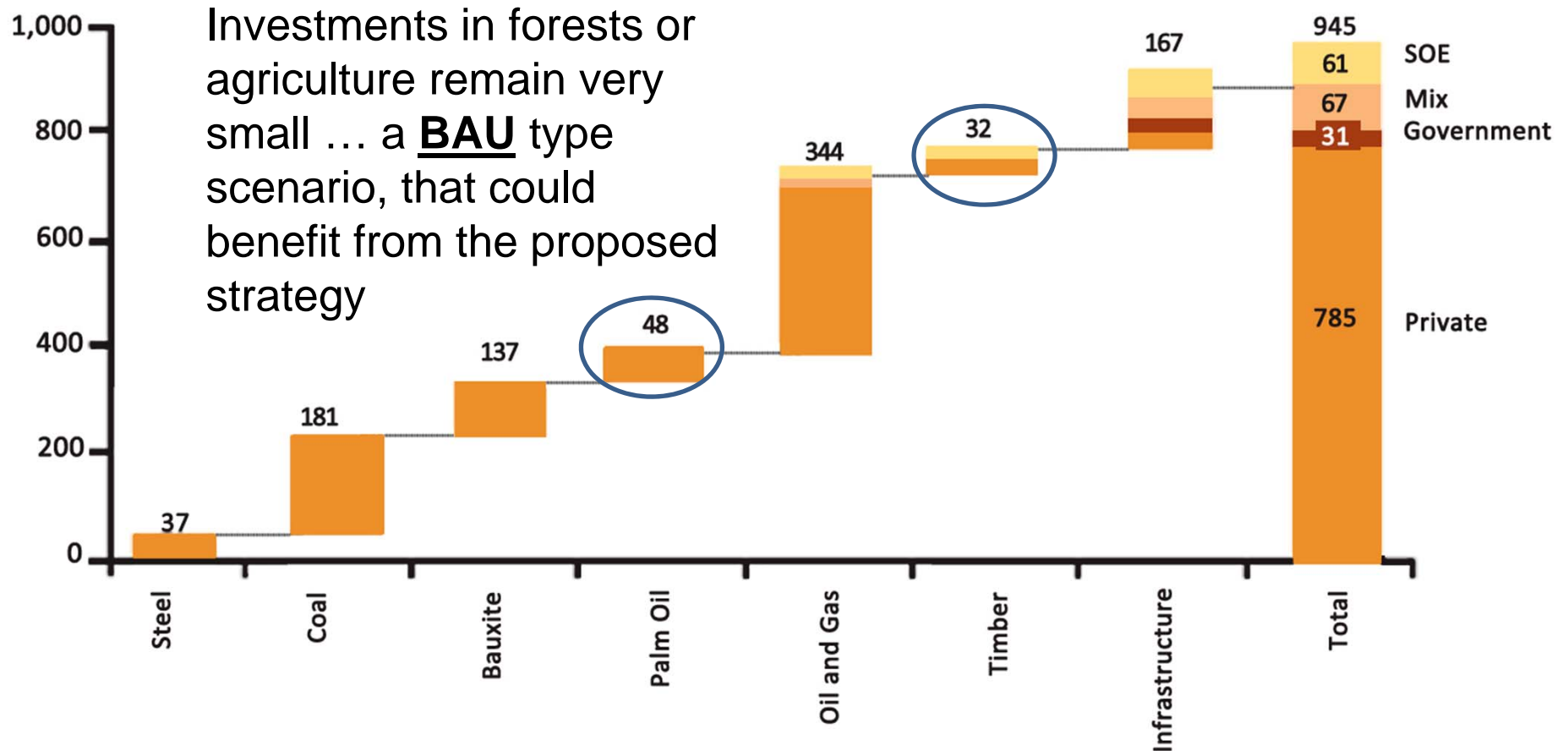
Based on deliberations at a multi-stakeholder workshop in Jakarta on August 12 & 13 that focused on what REDD+ could bring in terms of added value to the 'Masterplan' in Kalimantan

MP3EI proposed investments in Kalimantan

Indication of Investment in Kalimantan Corridor

IDR Tn

Investments in forests or agriculture remain very small … a **BAU** type scenario, that could benefit from the proposed strategy

Category	Value
Steel	37
Coal	181
Bauxite	137
Palm Oil	48
Oil and Gas	344
Timber	32
Infrastructure	167
Total	945

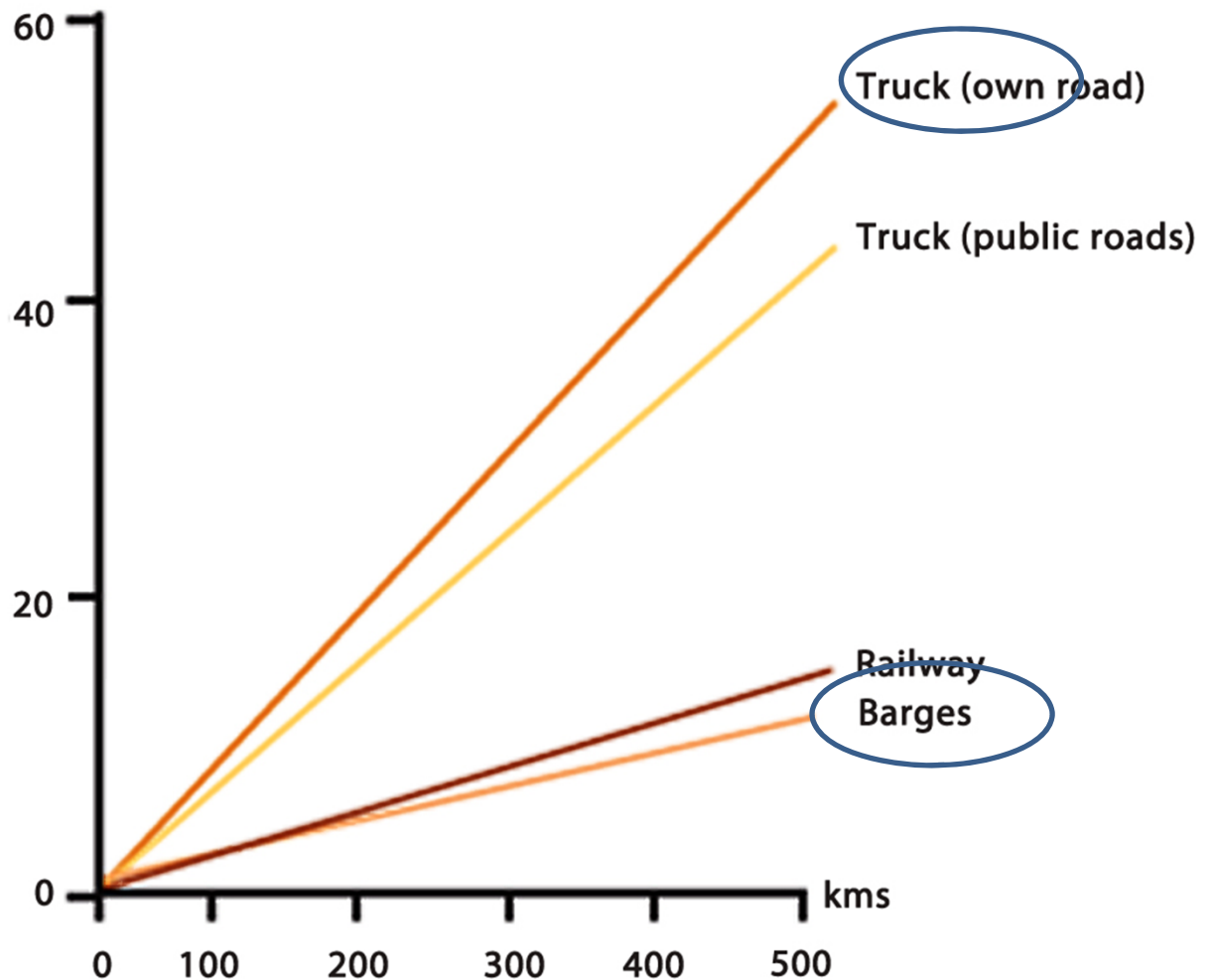SOE 61
Mix 67
Government 31
Private 785

Mutual benefits of REDD+ & Green Economy

Estimated inland transportation cost (USD/Tons)[2]

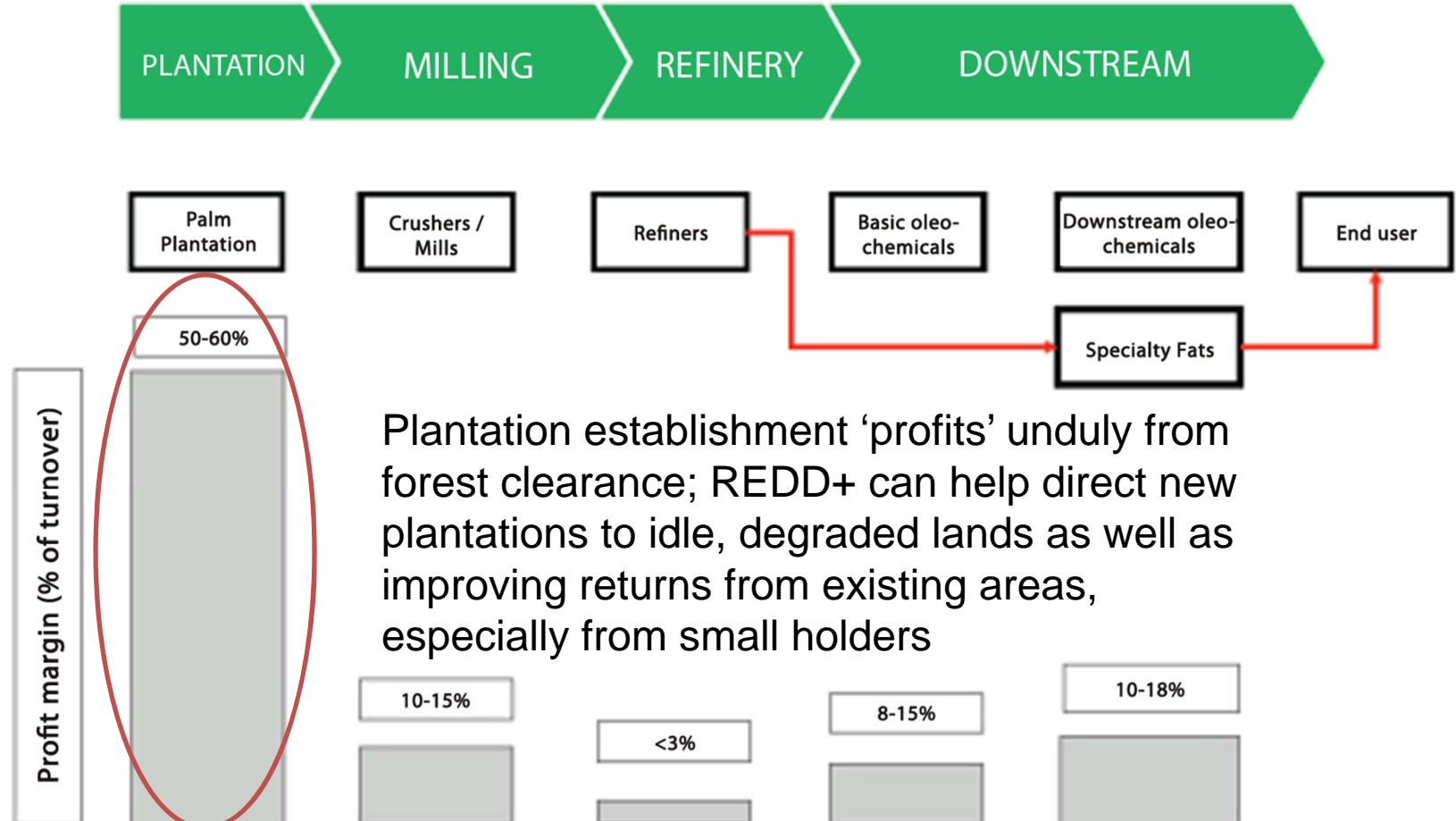Continued investments in rivers as modes of transportation is cheaper & greener as it lowers deforestation.

REDD+ prevents upland deforestation and ensures even flow in key rivers

REDD+ could green the palm oil industry …

TYPICAL VALUE CHAIN FOR PALM FRUIT BASE INDUSTRIES

PLANTATION > MILLING > REFINERY > DOWNSTREAM

| Palm Plantation | Crushers / Mills | Refiners | Basic oleo-chemicals | Downstream oleo-chemicals | End user |

Specialty Fats

Profit margin (% of turnover)

Palm Plantation: 50-60%

Plantation establishment 'profits' unduly from forest clearance; REDD+ can help direct new plantations to idle, degraded lands as well as improving returns from existing areas, especially from small holders

Crushers / Mills: 10-15%

Refiners: <3%

Basic oleo-chemicals: 8-15%

Downstream oleo-chemicals: 10-18%

These are the ultimate goals ...

- Aim for **efficiency gains**
- Catalyse **shifts or step-changes** towards alternative uses, where efficiency is not enough
- Focus on investing in the **GDP of the poor**, i.e. on equity
- **_Add_ value** to existing strategies, programs and initiatives

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Ongoing activities that can be expanded under 6.2 …

- Supporting Govt. of Indonesia on developing a 'Green Economy Corridor" that leverages on REDD+ investments

- Supporting Democratic Republic of Congo with exploring how REDD+ investments can lead to sustainable development

- Similarly, commencing support to Panama, Ecuador, Nigeria to explore how REDD+ and green economy can mutually support each other

- Essentially, demand driven

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Towards a Road map

- **Increase public awareness and build the case for the mutually supporting relationship between REDD+ and Green Economy**

- **Support investment strategies to extract growth from those sectors having high employment generating potential (to exploit higher employment elasticity of output).**

- **Focus on sectors which require lower investments for the same level of output.**

- **Develop better indicators to guide investments. E.g. 'GDP of the Poor'**

- **Support full scope of the REDD+ agenda**

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Towards a Road map

- Use **appropriate tools and means**. Especially **safeguards** …
- Ensure that processes related to REDD+ and the Green Economy are open and **involve broad stakeholder consultations**
- Identify and take advantage of **key champions**, where available.
- Enhance **financial flows from the private sector**, preferably using a nested approach

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Private sector needs to be part of the solution …

Estimates of funding needed …
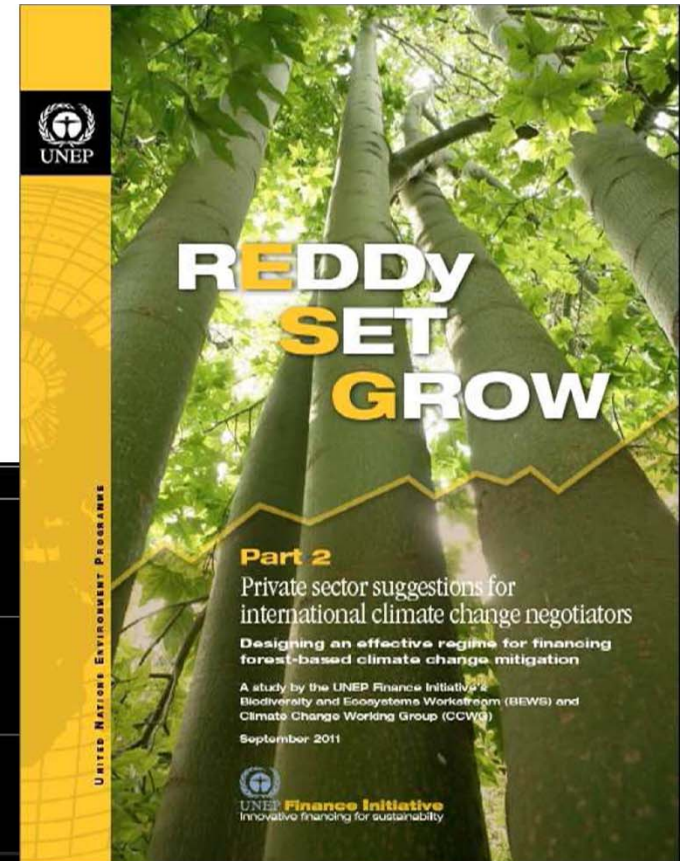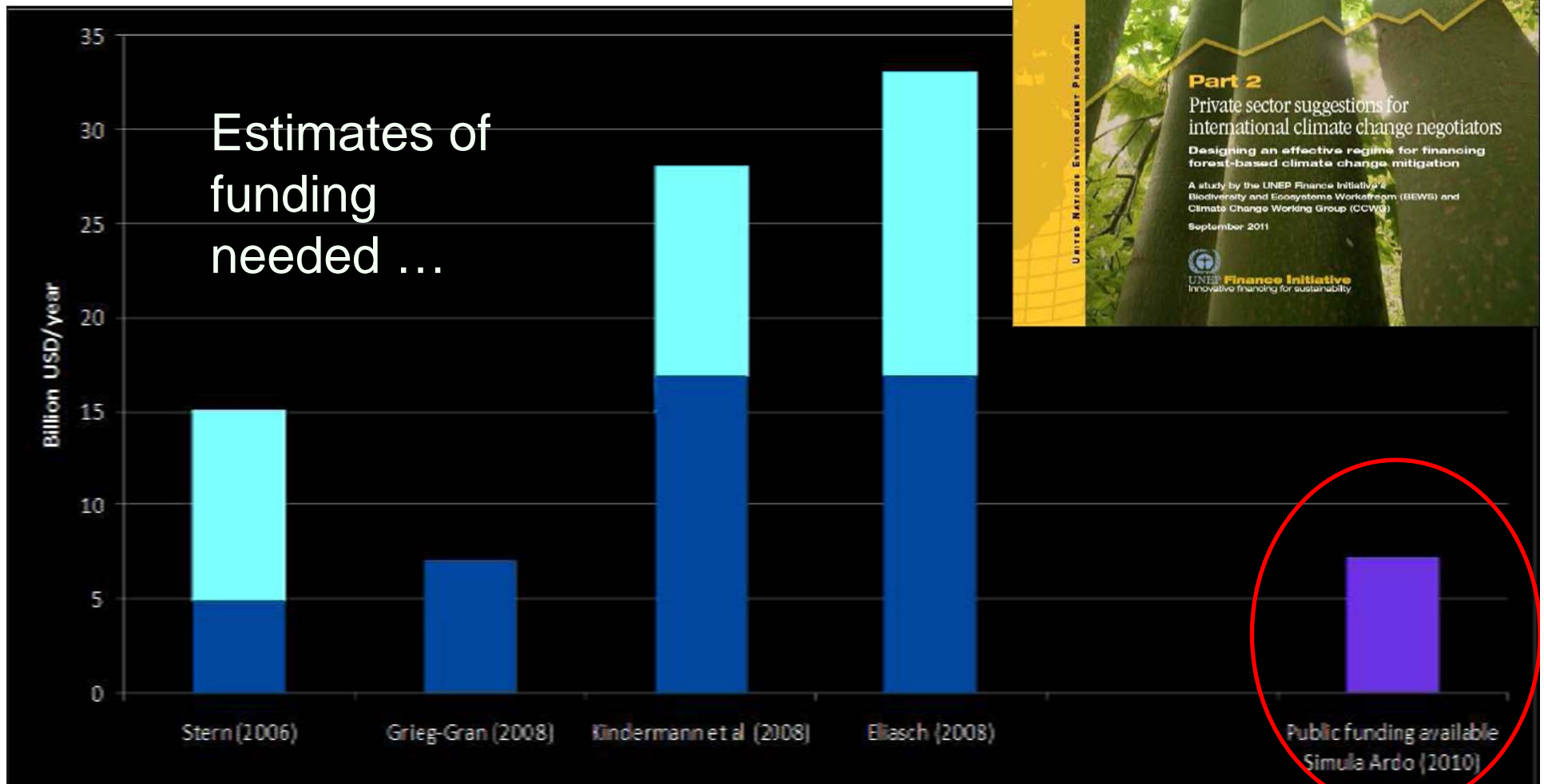
More information …

Following draft papers

- REDD+ and a Green Economy: Opportunities for a mutually supporting relationship
  - Builds on TEEB, Stern, Eliasch & Green Economy reports
- Supporting countries to realize <u>multiple benefits</u> from REDD+
  - Outlines actions, outputs and goals, that form a contribution to activities discussed here

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Thank you!