

Fighting Fossil Fuels First

MAKING EU CLIMATE POLICY WORK FOR PEOPLE AND FORESTS





Acknowledgements

Fighting Fossil Fuels First: Making EU Climate Policy Work for People and Forests

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ISBN: 978-1-906607-50-0

March 2015

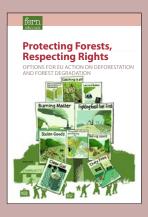
Fern would like to thank Kate Dooley, Kate Horner, Chris Lang and Simon Counsell for their help in writing and researching this publication.

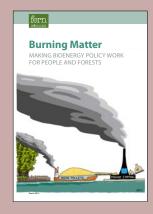
Fern would like to thank the Ford Foundation and the UK Department for International Development for their financial support. The views expressed do not necessarily reflect the funders' official positions.

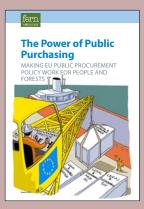




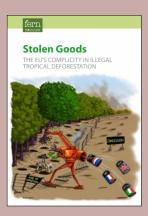
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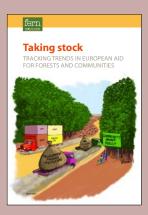


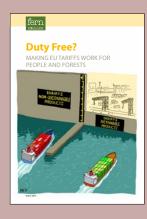


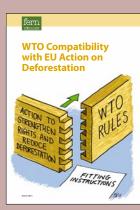
















"I do not want a Europe stuck on the sidelines of history ...
I want a Europe at the heart of the action, a Europe which moves forward, a Europe which exists, protects, wins and serves as a model for others."

Jean-Claude Juncker, President of the European Commission, Opening Statement in European Parliament, 15 July 2014

The EU has set itself the goal of ending deforestation by 2030. More than 70 per cent of deforestation in the tropics is the result of land being cleared for commercial agriculture. 36 per cent of the crops and livestock products that were grown on deforested land and traded internationally, was consumed by the EU: twice as much as China and Japan combined. Even in 2015, with China's consumption increasing at a rapid rate, the EU still has a far larger footprint per person than China.

Much of this deforestation is illegal. In 2012 alone the EU imported EUR six billion of soy, beef, leather and oil palm that came from land illegally cleared of forests. Not only is our consumption destroying forests: it is undermining global governance and the rule of law.

Market pressure from consumers who do not want to be party to this trail of destruction is increasing. Far-reaching corporate commitments on zero deforestation have shown that businesses are also ready to act. But consumers and companies cannot act alone.

The EU, as one of the largest importers of forest risk commodities needs to act and serve as a model for others. It must base its policies on the fact that many of the world's forests belong to communities who depend on them. Forest protection will not work, therefore, unless it goes hand in hand with respecting and strengthening communities' tenure rights.

This report is one of a series presenting recommendations to the EU for an Action Plan to halt deforestation and respect rights, looking at EU aid, climate, consumption, financial, illegal logging, renewable energy and trade policies. Together, the series forms a comprehensive action plan for the EU, available at www.fern.org/EUdrivers.

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Acronyms

FAO	Food and Agriculture Organisation of the UN
FCPF	Forest Carbon Partnership Facility
FIP	Forest Investment Program
GHG	greenhouse gas
REDD	Reducing Emissions from Deforestation and Forest Degradation
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

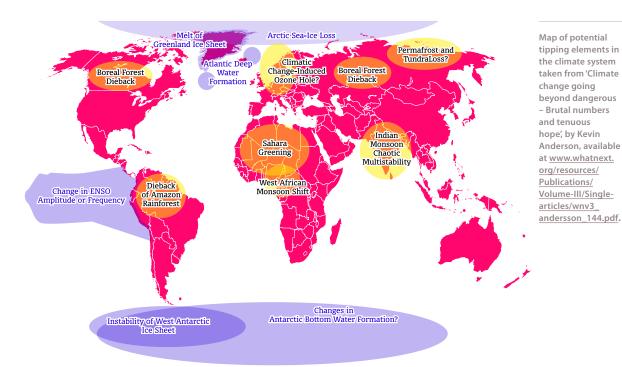
Summary

Forest loss is contributing to climate change. Hence, reducing deforestation is a part of current negotiations on climate change through a mechanism called Reducing Emissions from Deforestation and Forest Degradation (REDD+). Since 2008, European donors have spent EUR 594.4 million on REDD+ initiatives.

While bringing welcome attention to the devastating impacts of deforestation, REDD+ has, however, contributed to the false assumption that forests can offset fossil fuel emissions. This has to some extent distracted climate policy-making, moving it away from the urgent need to stop burning fossil fuels. This is bad for forests. If temperatures rise above 2°C, many tropical forests are likely to be lost. EU climate policy should therefore first focus on reducing the EU's own greenhouse gas (GHG) emissions, without recourse to offsets.

Furthermore although money is needed to keep forests standing, money alone is not going to keep forests intact. Political will to tackle corruption, improve governance and strengthen communities' tenure rights are key. Any finance the EU provides to keep trees standing should therefore be spent on improving forest and land governance and clarifying and strengthening tenure rights for local communities. This is the most effective way of protecting forests.

The EU should also support new policies to tackle one of the key drivers of deforestation, its consumption of agricultural commodities, so as to reduce the pressure on forests and prevent forests from being converted to agricultural land.



Introduction

The destruction of forests contributes to climate change. Preserving forests helps to mitigate it. It is therefore understandable that halting deforestation is part of current negotiations on climate change, with REDD+ forming a key part of the discussions (see Box 1).

Governments have committed large sums of money to pilot REDD+ initiatives. The European Commission has set up and supported a number of these initiatives. It provides financing

to the World Bank's Forest Carbon Partnership Facility (FCPF), has set up an EU REDD+ facility, and was a member of the REDD+ partnership. The Commission is also a donor to UN-REDD, a multilateral fund managed by the United Nations **Development Programme** (UNDP), the United Nations **Environment Programme (UNEP)** and the Food and Agricultural Organisation (FAO). Since 2008, the main REDD+ funds - FCPF, UN-REDD and the World Bank's Forest Investment Programme (FIP) – have received a total of EUR 594.4 million from European donors. However, a focus on keeping forests standing will not be enough on its own to save the forests. Without reducing

For more information about EU policies that are being used to improve governance in countries that supply the EU with timber and agricultural products, see 'Taking Stock: Tracking Trends in European Aid for Forests and Communities' available at www.fern.org/trackingtrends



GHG emissions by between 85 and 95 per cent by 2050, many forests – along with many other ecosystems – will be lost (see Box 2).

Deforestation is thought to be the cause of approximately ten per cent of total GHG emissions. Any attempt to curb deforestation can therefore be considered a measure to address climate change.² However, given the fundamental difference between the 'terrestrial' and 'fossil' carbon cycles, folding emissions related to land disturbance and deforestation into emissions reductions targets has led to

"Tackling the drivers of deforestation could and should be motivated by the need to keep global temperatures in check."

Box 1: Reducing Emissions from Deforestation and Forest Degradation in the UNFCCC

REDD stands for Reducing Emissions from Deforestation and Forest Degradation. The 'REDD debate' entered the UN climate talks in 2005, when Costa Rica and Papua New Guinea argued in a proposal to the UN Framework Convention on Climate Change (UNFCCC) that forested countries should be paid for reducing rates of deforestation and maintaining their forest cover. After REDD was included in the UNFCCC Bali Action Plan in 2007, there was a considerable growth of interest in the role that forests play in climate change. In late 2008 REDD was changed to REDD+ to include activities aimed at enhancing carbon stocks, sustainable forest management and forest conservation. Many actions at local, national and international level have been carried out as 'readiness activities' to prepare countries for REDD+, and significant funds have been pledged from donor countries.

The 2013 Warsaw Climate Change Conference resulted in (among other things) the adoption of the Warsaw Framework for REDD+: a package of methodological decisions intended to allow countries to begin implementing REDD+, and to apply for international climate funds to compensate for or 'reward' these efforts. But the Warsaw decision states that REDD+ can be financed through markets or funds, and sources of finance are still unclear: there are currently no compliance carbon markets which accept REDD+ credits, while the Global Climate Fund must split its funds between mitigation, adaptation and other REDD+ activities.

¹ www.fern.org/trackingtrends

² http://www.sciencemag.org/content/336/6088/1518.summary

simplifications that have undermined mitigation action, rather than increasing levels of ambition (see Box 3).

While bringing welcome attention to the devastating impacts of deforestation, dealing with deforestation under the climate change banner through the REDD+ mechanism has led to false assumptions that keeping forests standing can offset fossil fuel emissions. This is unhelpful, since it has placed too much focus on emissions reductions in tropical forests countries, rather than on improving governance. Some argue that the focus on forests also has distracted climate policy away from urgently needed reductions in emissions from fossil fuel use.

Mechanisms such as REDD+ have also led to a simplistic understanding of what it takes to keep forests intact, with an undue focus on money and the financial value of forests, rather than on the conditions to keep forests standing: improving governance, recognising forest peoples' rights, and reducing the pressure on forests posed by forest conversion to agricultural land.³

"Dealing with deforestation under the climate change banner has led to false assumptions that keeping forests standing can offset fossil fuel emissions."

Conversion to agricultural land is responsible for more than 70 per cent of forest loss⁴ and illegal clearance of forests for commercial agriculture is believed to have been responsible for half of all tropical deforestation since 2000.⁵ Ultimately, without reducing the demand for agricultural commodities any effort to reduce deforestation will be unsuccessful. The EU is a major cause of deforestation through its import and consumption of agricultural commodities, importing 36 per cent of all exported crops that cause deforestation.⁶ Tackling these drivers of deforestation could and should be motivated by the need to keep global temperatures in check.



Civil society protesting against REDD+, which many see as a process of commodification of their forests. There is also a sense of injustice among some developing countries, who feel that the system of international offsets exonerates developed countries (which have historically done most to cause climate change) from making emissions reductions at home. © Ian MacKenzie/FlickrCC

Box 2: Forests depend on a healthy climate

An increase in temperature between 2°C-4°C has the potential to cause dieback⁷ among the world's forests due to altered precipitation patterns and subsequent reduced availability of water to forests, increased temperatures and illnesses.⁸ Some of the most intensely hit areas will be in the Amazon.⁹ To keep forests standing therefore requires limiting global warming to less than 2°C.

- 7 'Forest dieback' refers to the situation where a decrease in precipitation over the forests, and increased heat and drought as a result of climate change, may result in forest retreat or 'dieback'. Increased temperatures and dryness are likely to increase risk of wildfires, further damaging forests. Heat- and drought-related dieback has already been observed in substantial areas of North American boreal forests, characteristic of vulnerability to heat and drought stress leading to increased mortality at the trailing edge of boreal forests. See https://www.fort.usgs.gov/publication/22509
- Boisvenue C, Running SW, 'Impacts of climate change on natural forest productivity evidence since the middle of the 20th century.' Global Change Biology, 2006, 12(5), pp 867–82
- 9 http://www.pnas.org/content/105/6/1786.full

³ Deborah Lawrence, Karen Vandecar. Effects of tropical deforestation on climate and agriculture. Nature Climate Change, 2014; 5 (1): 27 DOI:10.1038/nclimate2430

⁴ http://www.forest-trends.org/illegal-deforestation.php

⁵ Ibi

⁶ http://ec.europa.eu/environment/forests/pdf/1.%20Report%20analysis%20of%20impact.pdf

Reducing fossil fuel emissions

Through international commitments, the EU is committed to ensuring that global temperatures do not exceed pre-industrial levels by more than 2°C. These commitments have since been reiterated at the EU level, with the EU being pressed to 'adopt the necessary domestic measures to ensure this is the case'. To meet these aims requires reducing global GHG emissions by 40 per cent by 2015, a further reduction of 70 per cent by 2020 and over 90 per cent by 2030 – from a 1990 baseline – leading to an almost total phase-out of fossil fuels thereafter.

The EU has, however, recently adopted an emissions reductions target of just 40 per cent by 2030. Repeated warnings from international institutions indicate that the world is on the path to catastrophic climate change, with temperature increases of $4^{\circ}\text{C}-6^{\circ}\text{C}$ degrees possible this century. We must therefore make steep and swift reductions in our fossil fuel consumption as well as keep forests standing, not one or the other.

Much of the controversy surrounding REDD+ has related to the possibility that the money transferred by developed countries would be in exchange for 'carbon credits' that they could use towards their global emissions reductions commitments, thereby providing developed countries with 'offsets'. Offsets are so called because they replace or offset the need to reduce emissions through domestic action. The basic assumption behind carbon offset schemes is that what matters for the climate are overall greenhouse gas concentrations in the atmosphere, and that consequently it does not matter where emissions are reduced. From the premise that what matters is not the location of the reduction but the reduction itself, the idea behind offsets is that you pay someone somewhere else to reduce your emissions for you. This means allowing those that are paying to exceed their emissions reductions target.13 In other words, offsets are not designed to reduce emissions but to move emissions from one place to another.14

Box 3: Why forests cannot offset fossil fuel emissions¹⁵

There is a common assumption that different types of carbon stocks are uniform and interchangeable within our climatic system. However, there are fundamental differences between 'terrestrial' and 'fossil' carbon pools and their impact on the climate. The clear danger is that if the fundamental difference between fossil and terrestrial carbon is not recognised, then carbon 'savings' from land-use change may be used to justify the continued combustion of fossil fuels, substituting irreversible fossil fuel emissions with temporary terrestrial stores.

In a paper published in Nature Climate Change in 2013, a global team of land carbon scientists tried to clarify the role of the land sector in the global carbon cycle. ¹⁶ They showed that while reducing carbon loss from land use can contribute to reducing global GHG emissions, the maximum amount of this reduction is equivalent to only a small fraction of potential fossil fuel emissions, and is further limited by the natural carrying capacity of the terrestrial carbon stock. There are strict environmentally determined limits on the maximum amount of carbon that can be restored to land carbon stocks, and good reasons why this maximum will not be achieved (such as competing land use).

They conclude that there is no effective mitigation option but to cut fossil fuel emissions deeply, and not to continue these emissions under the erroneous assumption that they can be offset in the long term by the uptake of CO_2 in land systems.

¹⁰ http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52007DC0002

http://www.whatnext.org/resources/Publications/Volume-III/Single-articles/wnv3_ andersson_144.pdf

http://www.worldbank.org/en/news/press-release/2012/11/18/new-report-examines-risks-of-degree-hotter-world-by-end-of-century

For a didactic video explaining the concept, see http://www.cheatneutral.com/

¹⁴ http://www.fern.org/tradingcarbon

¹⁵ This box summarises points made in http://www.fern.org/sites/fern.org/files/misleadingnumbers_full%20report.pdf

¹⁶ http://www.nature.com/nclimate/journal/v3/n6/full/nclimate1804.html



Aerial view of the Amazon Rainforest near Manaus. Brazil, which potentially has a huge number of forest carbon offsets to sell, is opposed to the use of offsetting forest carbon for emissions from fossil fuels.

"...there are no signs on the horizon of a compliance carbon market that would allow countries to buy and sell forests as carbon offsets."

Brazil, which potentially has a huge number of forest carbon offsets to sell, is opposed to the use of offsetting forest carbon for emissions from fossil fuels. It believes this will cause us to overshoot the global carbon budget.¹⁷ There is also a sense of injustice among some developing countries, who feel that the system of international offsets exonerates developed countries (which have historically done most to cause climate change) from making emissions reductions at home.

Though there is a limited voluntary market for forest carbon offsets (which offset voluntary emissions reductions pledges made by individuals, governments or companies), there are no signs on the horizon of a compliance carbon market that would allow countries to buy and sell forests as carbon offsets.

At the 2013 Conference of Parties in Warsaw, much of the detail about REDD+ was concluded. ¹⁸ The Warsaw decision left, however, options open for REDD+ finance. Funding for REDD+ can come from a variety of sources, including funds – such as the Green Climate Fund, the World Bank's Carbon Fund, Norway's International Climate and Forest Initiative, and other multilateral and bilateral funds (see Box 1) – as well as carbon credits.

As there are currently no compliance markets for international forest carbon REDD+ money will coming largely from aid budgets. The EU Emissions Trading System (ETS), the largest carbon market, makes it clear that emissions reductions for 2030 will be met domestically, though this could change if the EU decides to increase its target. ¹⁹ Further details on how REDD+ will be financed in future will now be taken by the UNFCCC Standing Committee on Finance. ²⁰

¹⁷ https://www.environment.gov.za/mediarelease/16thbasic_ministerialmeeting_

⁸ http://unfccc.int/land_use_and_climate_change/lulucf/items/6917.php

⁹ http://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=24

²⁰ http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/ items/6877.php

Refocusing EU finance for forests on drivers, governance and rights

The original idea behind REDD+ was to make forests more valuable standing than cut. Forests would be valued in terms of the amount of carbon they stored, and that carbon would become a commodity that could be traded, since it could be bought to offset fossil fuel emissions. In the words of the UN's REDD programme, 'REDD strategies aim to make forests more valuable standing than they would be cut down, by creating a financial value for the carbon stored in trees'. Paying to keep trees standing was considered to be cost-effective, cheaper for industrial countries than reducing emissions domestically, and easy to achieve – so called 'low hanging fruit'.

Since it was hoped that REDD+ would generate carbon offsets, there was a need for these REDD+ offsets to be bona fide reductions in emissions. This led to a significant focus on the monitoring, reporting and verification of carbon which has to date consumed a significant proportion of REDD+ expenditure. This focus on carbon has been done at the expense of addressing the drivers of forest loss, and has created a system of such complexity that some supporters of the REDD+ approach fear it will be too difficult for countries in the global South to implement.²³

Despite hopes for a cost-effective and easy climate solution, and ten years after REDD+ was first discussed, it is fair to say that tackling deforestation is just as complex, if not more so, than any other mitigation action. The high opportunity costs related to agricultural deforestation mean that the actual cost of making trees worth more standing than cut is much more than donors or companies are willing to pay. Discussions about carbon pricing in the Carbon Fund, managed by the World Bank's Forest Carbon Partnership Facility, have now led to an agreed price of a maximum of five USD per tonne of carbon. This is insufficient to 'pay off' the opportunity costs and hence effectively address the numerous drivers of deforestation from commercial agriculture and infrastructure projects and mining. It could contribute to paying for governance improvements and clarify and demarcate local communities' land rights.

The failure of carbon markets to materialise, and the low price agreed for forest carbon credits has meant that many early supporters of the REDD+ approach no longer see it as a mechanism that will make trees valuable enough to stave off encroaching pressure to convert forests to agricultural

land.²⁴ Unofficially, many now see REDD+ as a mechanism to foster policies that contribute to protecting forests, such as improving governance, improving land-use planning, increasing forest people's rights and clarifying tenure as well as tackling the direct pressure on forests, rather than one that values and pays for carbon in trees.

Good governance has long been identified as a precondition for keeping forests standing. Experience of projects and policies to date show that deforestation is not simply a problem of misaligned economics but of weak governance,²⁵ lack of clarity over tenure rights,²⁶ and growing demand for commodities.²⁷ There is awareness among institutions piloting REDD+ projects that these issues are important. It must now be recognised that making changes to improve governance and land-use planning are not quick solutions. Improving governance goes hand in hand with tackling corruption, increasing transparency and strengthening tenure rights, all of which require political will to make it work.

Despite the growing recognition of the importance of governance and clear tenure rights, this is not yet reflected in the practices of institutions, such as the World Bank. Although some bilateral and multilateral funds for piloting REDD+ have provided funds to tackle some of these issues, notably as part of what is known as 'phase 1/readiness phase', there is evidence of growing impatience with the time it takes for countries to become 'ready'. Hence, the Bank specifically seems to want to push through to 'phase 2/demonstration phase' into 'phase 3/ implementation phase', where countries receive money on the basis of reduced emissions, without countries actually being ready.²⁸

This is perhaps a result of the fact that the Carbon Fund is meant to close in 2020, meaning that money must be spent swiftly. This means that countries are being rushed through precisely those steps that are preconditions for successfully reducing deforestation. There is therefore a clear opportunity for the EU to intervene and focus funding on the necessary governance improvements.

²¹ http://www.un-redd.org/AboutUNREDDProgramme/FAQs/tabid/586/Default.aspx

²² http://www.fern.org/pt-br/node/5270

^{23 &}lt;a href="http://wwf.panda.org/what_we_do/footprint/forest_climate2/news/?237150/Interview-with-Pat-Hardcastle-Forestry-Development-Specialist">http://wwf.panda.org/what_we_do/footprint/forest_climate2/news/?237150/Interview-with-Pat-Hardcastle-Forestry-Development-Specialist

²⁴ http://www.forestsclimatechange.org/forests-climate-change-mitigation/early-lessons-jurisdictional-redd-low-emissions-development-programs/

²⁵ http://pfbc-cbfp.org/docs/research_docs/CIRAD%20Can%20fragile%20state%20reduce%20 deforestation.pdf

²⁶ http://www.cifor.org/library/4491/the-challenge-of-establishing-redd-on-the-ground-insights-from-23-subnational-initiatives-in-six-countries/?pub=4491

²⁷ https://www.forestcarbonpartnership.org/sites/fcp/files/DriversOfDeforestation.pdf_N_S. pdf

²⁸ http://www.fern.org/implementinhaste

Drivers of deforestation

Unless the pressure for commodities that drive deforestation is reduced, forests will continue to be cleared. Seventy per cent of all deforestation is the result of commercial, exportoriented agriculture, ²⁹ and 36 per cent of all crops associated with deforestation in international trade are destined for the EU. ³⁰ Since the EU is a major cause of deforestation, it holds significant power to reduce deforestation and be part of the solution. The latest REDD+ decisions, ³¹ made in Warsaw at the Conference of Parties in 2013, give the EU the scope to refocus and condition REDD+ finance on addressing the drivers of deforestation (through decision 15). ³² Focusing on the drivers of deforestation should be articulated as part of national strategies that governments are required to develop to access finance.

Reducing deforestation is beyond the power of climate policy alone. Changes need to be made to EU consumption, trade, energy, finance and investment policies if the EU is to meet its commitments to halt deforestation by 2030. To foster policy

coherence, Fern urges these changes to be made as part of an EU Action Plan on Deforestation and Forest Degradation³³. However, since climate is a strong motivator for tackling deforestation, EU climate action should play a central role in coordinating such an Action Plan.

Aerial view of Bellavista goldmine site and its impact on the forest cover and location of pit, leach pad, and cyanide solution pond.



33 www.fern.org/protectingforests

- $\underline{\text{http://www.forest-trends.org/documents/files/doc_4718.pdf}}$
- 31 http://unfccc.int/land_use_and_climate_change/lulucf/items/6917.php
- 32 http://unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=43

Recommendations to the EU

- Increase the EU's emissions reduction target in line with what is needed to limit global warming to 2°C without recourse to offsets.
- Direct forest and climate funds to achieving the pre-conditions for keeping trees standing, which include increasing forest dependent peoples' tenure rights and improvements in forest and land governance. As a matter of priority, donors must ensure projects are not being arbitrarily rushed in the FCPF's Carbon Fund.
- Develop an EU action plan that tackles EU drivers of deforestation.

"EU climate policy should first focus on reducing the EU's own GHG emissions, without recourse to offsets, on providing money to tackling the root causes of deforestation and tackling its own consumption paterns which are driving deforestation."



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