

Chair's Summary
on the
OECD Workshop on Capturing Carbon and Biodiversity Benefits to Reduce Deforestation

March 26 2008

**A Joint Workshop of the Working Group on the Economic Aspects of Biodiversity
and the Annex I Expert Group on the UNFCCC**

A number of issues were raised concerning the possible linkages, synergies and limitations between the carbon and biodiversity benefits provided by forest ecosystems; how the respective co-benefits could be maximised; and whether these benefits could/should be bundled to provide greater, and more cost-effective, incentives to reduce deforestation. Several themes that emerged from the workshop are highlighted below.

- Environmentally-effective and economically-efficient incentives that target multiple benefits of forest ecosystem services (ES) can be enhanced with spatially explicit cost-benefit analysis. This might entail:
 - Identifying areas with high ES benefits (e.g. carbon and biodiversity)
 - Identifying areas of high risk of deforestation
 - Assessing opportunity costs
 - Developing policies and incentives to capture and market the benefits
- Level/degree of co-ordination: There are various ways to consider the degree of co-ordination between the two goals of the UN Framework Convention on Climate Change (UNFCCC) and the UN Convention Biological Diversity (UNCBD) --i.e., reducing carbon emissions and mitigating biodiversity loss respectively. The first is do no harm (i.e., that pursuing the objectives of one should ensure that there are no adverse effects on the other). The second is do not block (i.e., that objectives should be pursued independently -without consideration to the other). The third is let the market decide whether, and in what situations, to optimise the two together (i.e., to sell bundles of ecosystem services or not).
- Monitoring requirements: Differing views emerged between the possibility to incorporate biodiversity benefits into mechanisms to Reduce Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) today (e.g., in the pilot phase or demonstration activities referred to under the UNFCCC, or in existing voluntary markets), versus the need to improve the consistency and comparability of monitoring methodologies for biodiversity (including agreement on indicators, harmonised reporting and verification methodologies) before these could be bundled with carbon benefits of reduced deforestation at some point in the future.

This would also depend on whether a REDD mechanism were established without specific biodiversity requirements (from which some biodiversity co-benefits would likely emerge) or whether a REDD system were established with specific requirements to achieve some biodiversity objective and/or necessary payments for doing so (which would require assessment and verification of environmental performance).

- The possibility of overburdening any single instrument with too many objectives: Concern was raised that if REDD did emerge as a market-based mechanism in the future, the carbon market should pay for carbon reductions but should not pay for additional transaction costs associated with capturing biodiversity benefits as well i.e., above and beyond the *co-benefits*. This is because (i) overburdening the carbon market with additional biodiversity criteria would imply higher

transaction costs and hence likely to lead to less forest area being conserved; and (ii) allowances/credits in the carbon market might not be fungible otherwise. Biodiversity beneficiaries should therefore cover the costs of achieving any additional biodiversity benefits (above and beyond the co-benefits). This could be implemented via separate financing mechanisms – e.g., REDD for carbon and other forms of International Payments for Environmental Services (IPES) for biodiversity –but potentially with the payments bundled. A key question is therefore how this could be facilitated.

- Several potential cost-sharing arrangements were proposed including a REDD-Bazaar, a REDD-Fund, and a REDD-Brand (see IUCN presentation).
- Train analogy – Participants used an analogy of a train to describe the possibilities for synergies or co-operation in realising the carbon and biodiversity benefits from reducing deforestation: (i) REDD is the engine, but both carbon benefits (via REDD) and biodiversity benefits (via IPES) carriages are pulled together by a single engine; or (ii) two separate trains on parallel tracks (i.e., aiming at same overarching objective – sustainable development) aiming to maximise synergies and avoid duplicative efforts. An underlying objective would be to avoid a train crash.
- Participants identified some synergies for capturing both biodiversity and climate benefits, but also some limitations. Where can benefits be bundled together cost-effectively? Is there sufficient comparable, consistent (and publicly available) spatial data on biodiversity at national and local scale to enable informed policy-making? Where are the limits to this – where do the costs outweigh the benefits? Are there possibilities for joint monitoring, payment vehicles, other?
- Participants noted that the UNFCCC and REDD processes are moving ahead rapidly and hence that any biodiversity-related aspects should therefore be provided in a timely manner.
- Participants also identified some gaps that may merit further analysis:
 - Identify and compare design issues and lessons learned from existing REDD pilot activities that aim to incorporate biodiversity co-benefits, as well as other efforts to capture multiple benefits of forest ecosystems (with focus on carbon and biodiversity) –e.g., Indonesia, Madagascar, Mexico, Bolivia, Costa Rica, Colombia and other CCBA projects (see Ecorescurities presentation and those in session 3).
 - Identify how priority biodiversity areas compare spatially based on different metrics available (e.g. national biodiversity indices [CBD and Endangered Species International]; Mean Species Abundance; Biodiversity Hotspots [Conservation International]).
 - Identify, consolidate and compare national and local level studies with spatial data on carbon and biodiversity benefits to assess the degree of overlap (e.g. as was undertaken in the Madagascar case study), and hence degree of possible synergy

Brainstorming from the workshop on key synergies and limitations
between carbon and biodiversity benefits for reducing deforestation

Key Synergies	Key Limitations
Less deforestation = less biodiversity loss	No aim/common view on ambition for future emissions levels at overall level in UNFCCC – similarly no common ambition on future emission levels re: REDD
Very hot spots (x2)	Still no agreement re: market vs. non-market in UNFCCC
ES good notion, incorporates carbon and PES may be good tool	Weak governance
Carbon market can be good tool for biodiversity	Voluntary basis of the carbon market may not be as effective in long term.
Personal engagement is strong	UNFCCC looking at national approach; for biodiversity need finer scale
Both interested in monitoring... but methods are different	Finance (up-front) Alternative streams to REDD
Pro-poor conservation	Capacity (weakness in definition) Monitor, act on ground etc
Policy coherence amongst governments If REDD via market is viable, then will be seen as development. Need to integrate conservation of ecosystems, natural hazard buffer and impoverished people	2C = biodiversity loss, security. All scenarios assume deforestation will stop worldwide. Not doing REDD is not an option. Lack of understanding
See synergy b/w biodiversity = eco-labelling of REDD Need standards in biodiversity!	Not much chance in greening the CDM.
Forest could be indicator for all 3 Conventions	How to avoid aiming for cheapest credits?
Identify risks to biodiversity and propose ways to alleviate them = most effective way forward	Biodiversity concerns not clear No clear indicators for biodiversity at national scale
REDD is mitigation but also adaptation for biodiversity. Biodiversity is critical element for ES functioning	How to mobilise human resources? Technical resources and finances. Greater focus on CC
1) Land use planning tool (map carbon and biodiversity) 2) Premium market product	Limitation for 1 = Data Limitation for 2 = Scale of buyers. Also no single bio-market (eco-tourism, other etc)
Q: To burden REDD with biodiversity or not to burden?	How to avoid heavy burden on the market? Piling too much on REDD
Obligation to taxpayers to ensure policy coherence –must consider biocriteria	Other international and bilateral agreements and processes that might be contrary to CC and biodiversity. e.g. WTO for labelling and biofuel targets
For synergy, look also at areas with high adaptation potential (coastal areas) to CC & biodiversity	
Addressing leakage in REDD would also help to safeguard against biodiversity loss	

