

Bringing Forest Carbon Projects to the Market



a new guidebook for forest project developers and investors

Highlights:

- Helping project developers create profitable forestry carbon projects
- Shedding light on best practices from an economic and finance perspective using real-world Case Study examples

Forestry is still under-represented in carbon markets

Although the markets for carbon credits have grown rapidly of late, forestry still plays a relatively minor role, representing only 10 of 1900 registered Clean Development Mechanism (CDM) forest-related projects. This bottleneck in demand for forestry carbon persists, despite its tremendous potential to mitigate climate change (deforestation alone accounts for approximately 20% annual global greenhouse emissions), and the significant developmental co-benefits that typically accompany forest projects.

The newly launched guidebook, *Bringing Forest Carbon Projects to the Market*, seeks to provide insight on the issues that have thus far limited the forest carbon market. The Guidebook also promotes much needed awareness of the forestry sector.

Emerging opportunities

The year, 2009, has been extremely eventful in carbon forestry. Forestry has been a major focus in the discussions leading up to the COP-15 climate change conference in Copenhagen, and the sector has been gathering momentum with eight registered CDM forestry projects since January, 39 additional projects waiting in the CDM pipeline, and 16 approved methodologies. Moreover, the burgeoning Voluntary Carbon Market (VCM) has been playing an increasingly important role in the forest carbon market with numerous standards to choose from and a growing demand for forest-related credits.

Another mechanism that is quickly emerging in the public eye, and is dealt with in detail in the Guidebook, is the provision of financial support for reducing emissions from deforestation and forest degradation (REDD). REDD and other forest-related projects are often more applicable for low-income and rural communities in developing countries that do not have large-scale industrial projects generally more attractive for CDM credit buyers. Such projects, nevertheless, have a long list of complementary co-benefits for communities such as improved water conservation, runoff and soil erosion control, flood prevention, and biodiversity protection.

A focus on finance and economics

The Guidebook sheds light on the primary causes for a slow-moving forest carbon sector: complexity of forest CDM regulations, a lack of high-profile project success stories that could catalyze replication and ease transaction costs, and unique risks such as non-permanence, longer validation and crediting periods, variable local climates, monitoring up to six types of carbon pools, and leakage experienced during fertilizer application and re-located deforestation.

In support of this Guidebook, a survey was conducted of 434 forest projects over the past three years, characterizing best management practices and pitfalls to avoid, analyzing financial data, and identifying success stories developers can emulate. Furthermore, the Guidebook presents

the components of the forest carbon project cycle from an economic and finance perspective, which are often the most complicated parts of successful forest project completion.

Through the Guidebook, project actors learn the nuances of financing forest carbon projects and selling credits, which factors should be considered when registering a forest project in the CDM and VCM, how to manage forest-specific risk, and the most recent state and trends of the forest carbon markets.

Bringing Forest Carbon Projects to the Market

At a time when land is being cleared at alarming rates for agriculture, pastures, and natural resources, and such co-benefits are greatly needed, building the capacity of forestry project developers and financial investors is critically important so they can take advantage of carbon market opportunities.

Carbon classes addressed are: plantation forestry, community agroforestry, REDD, and forest protection, restoration, and management. This Guidebook is available in English, French, and Spanish.

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www.unep.fr/energy/activities/forest_carbon



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