REDD IMPLEMENTATION IN VIETNAM: STATUS AND CHALLENGES

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Overview

1. REDD Initiatives
2. Global forests and climate changes
3. REDD Initiatives
4. Implementation of REDD in Vietnam: Process and next steps?
5. Implementation of REDD in Vietnam: constraints and Challenges;
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I. Global forests and Climate change

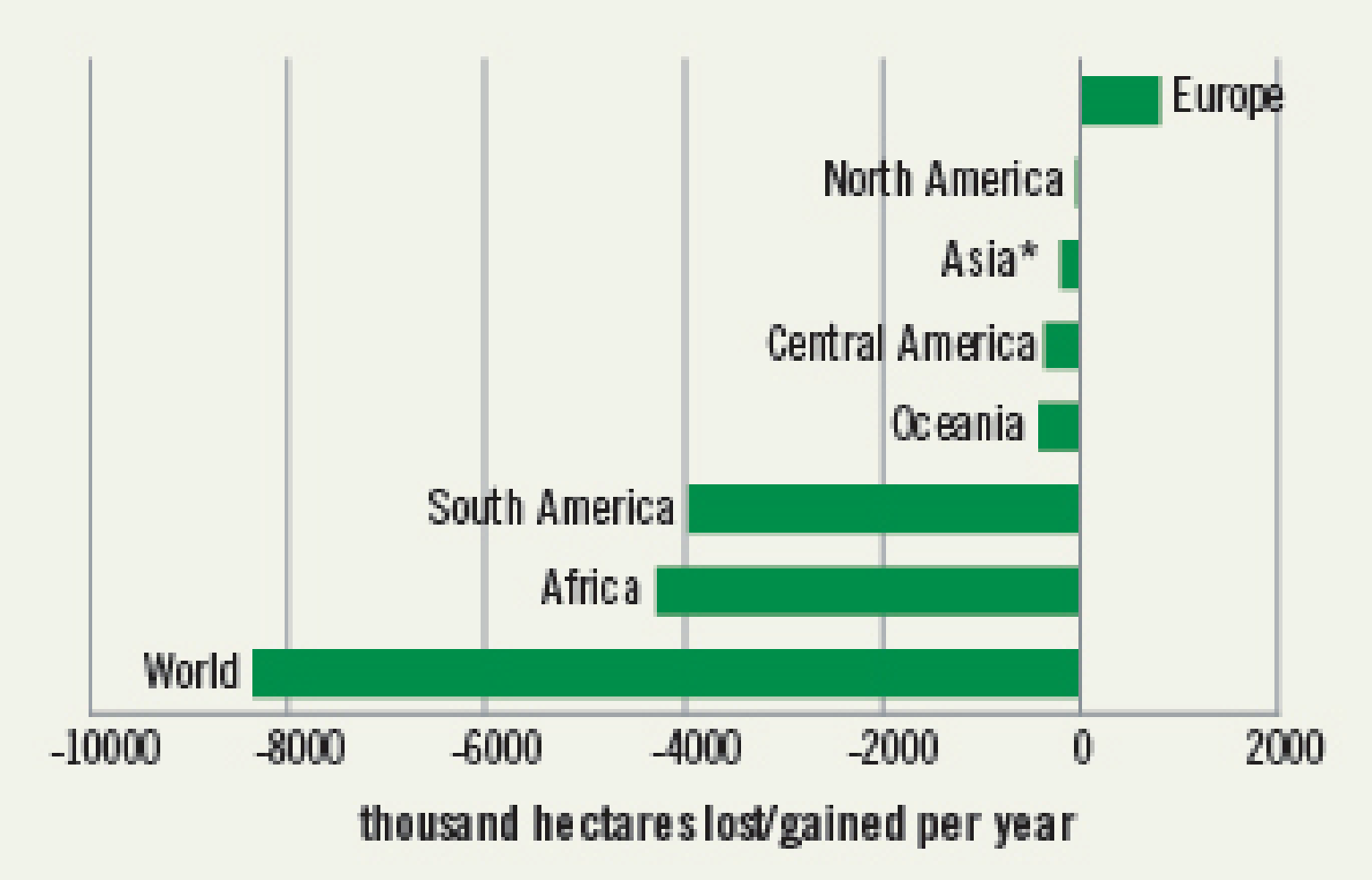
1.1 Roles of forests

- Area of global forests was less than 4 billion ha in 2005, 36% of which were primary forest;
- Forests are significant for national economies: timber, NTFP
- Forests matter for biodiversity;
- Forests are important for ecosystem services and to human health: clean water, nutritious food, traditional medicine, disease control;
- Forests are important for energy: about 80% of primary energy need meets from fuelwood;
- Forests provide safety nets for vulnerable individuals and communities;

1.2 Global forests and climate change

- Forests present a significant global carbon stock: 283 Gt of carbon in living biomass, 38 Gt in dead wood and 317 Gt on soils and litter; Total carbon content of forests was 638 Gt for 2005;
- A gross terrestrial uptake of carbon is estimated at 2.4 Gt/year, a large part of it is sequestration by forests;
- FAO – FRA estimated the annual deforestation rate was around 13 million ha, a net loss of about 7.3 million ha/year for 2000-2005;
- Deforestation is estimated emissions from deforestation in the 1990s to be at 5.8Gt CO2/yr and to have been the cause of 20% of annual GHG emission (IPPC 2007);
- Forests are important for mitigating and adapting climate change;

Net Annual Forest Loss by Region



Relatively small annual net loss in Asia reflects massive growth of forest plantations in China

Source: EarthTrends, 2008; using data from FAO, 2007

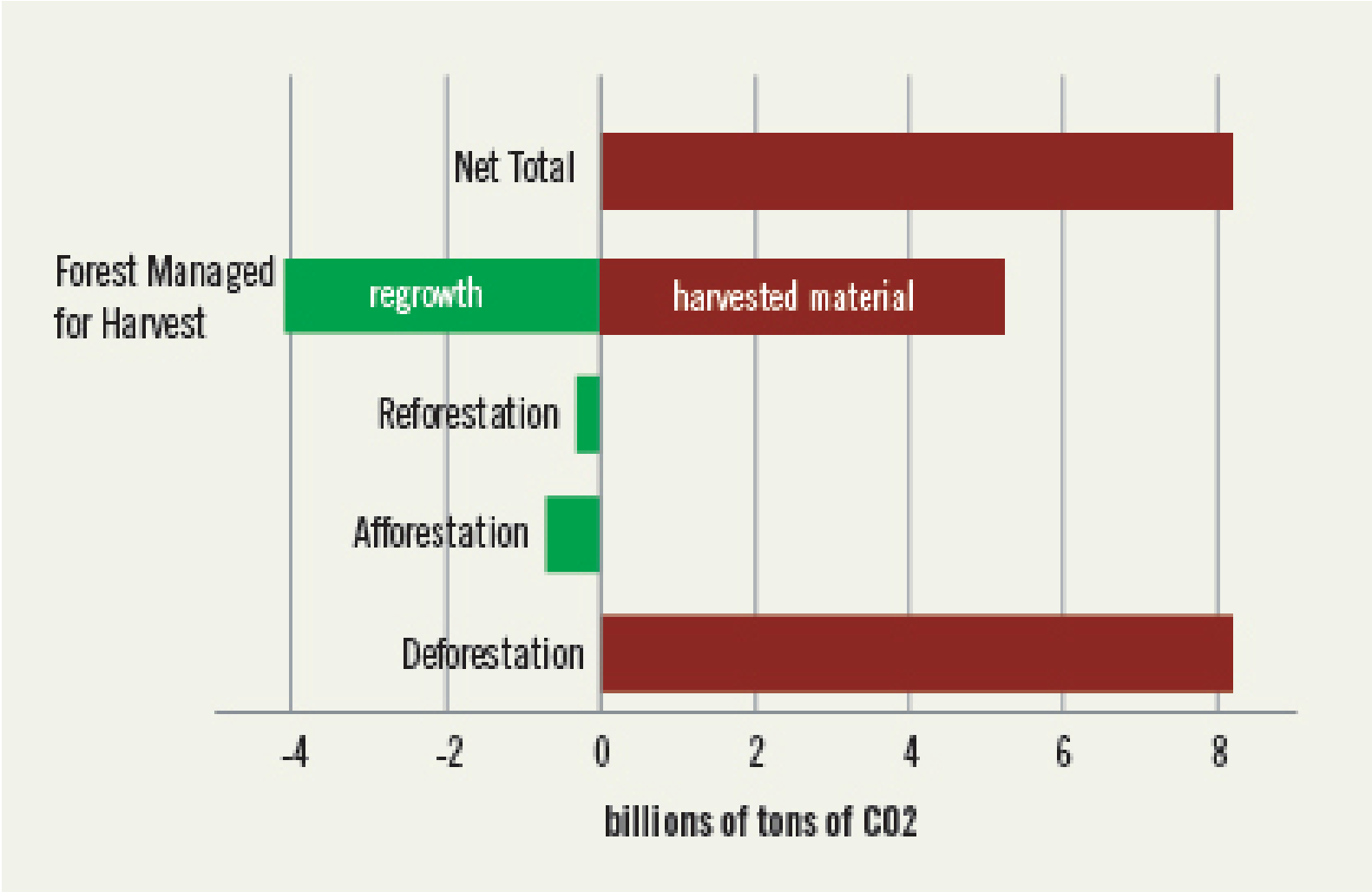
1.1 Forests and climate change

- BUT emissions from tropical deforestation and forest degradation were excluded from the Kyoto protocol in 1997. Reasons:
  - ✓ **Many believed that the challenges and uncertainties inherent to quantifying forest sector emissions would weaken the overall strength of the climate regime;**
  - ✓ **Developing countries worried R-deforestation would threaten their sovereignty over land use decisions;**
- Forestry sector was not completely excluded from the Protocol; the Clean Development Mechanism (CDM) allows industrialized countries to earn carbon credits from reforestation and afforestation projects in the developing world;
- To date, this mechanism has not greatly favored forestry projects--only few afforestation projects have been approved of the CDM's 1,016 projects to date (UNFCCC, 2008).

1.3 Forests and climate change

- Adaptation agenda: reducing vulnerability of production systems and livelihoods to CC impacts
- Received far less attention and funding so far
- Forests act as safety net and buffer CC impacts via ecosystem services (e.g., mangroves, watersheds)
- Ecological impacts of CC on trees – spp. selection
- 'Adaptation forestry' needs collaborative local research and appropriate local institutions
- Need to build synergies between Mitigation and Adaptation forestry, e.g., integrative projects;

Emissions, Absorptions of CO_2 from Select Forestry Activities



- Source: EarthTrends, 2008; using data from Baumert et.al., 2005

1.3 Forests and climate change

- Planting new forests is a useful mitigation tool BUT preserving existing natural forests presents a much larger opportunity in terms of the sheer magnitude of emissions;
- Reducing deforestation and forest degradation may be a relatively inexpensive climate change mitigation option, comparing favorably with the costs of lowering emissions in other sectors - “Avoided deforestation” among the cheapest options for emissions mitigation , although this remains uncertain;
- Bali Action Plan includes “Road map” to incorporating REDD in the global climate protection regime

Carbon Lost to the Atmosphere by Selected Forest Conversions or Uses

Type of conversion or use	Carbon lost to the atmosphere *(as a percent of carbon stored in the original forest)*	
	Vegetation	Soil
Cultivated land	90-100%	25%
Pasture	90-100%	12%
Degraded forests	25-50%	<10%
Logging	10-50%	<10%
Plantations managed for harvest*	30-50%	<10%
Extractive uses (non-destructive harvest of fruits, nuts, etc)	0%	0%

Source: Houghton, 2005

II. Reduction Emission from Deforestation in Developing Countries (REDD) Initiative

2.1 REDD - FCPF

- The global carbon market established under the Kyoto Protocol--now valued at over $30 billion worldwide--has recently generated excitement as a potential payment mechanism;
- Carbon credits earned through reduced deforestation are currently not eligible for trading within the international carbon market established under the Kyoto Protocol, so FCPF credits are expected to be traded on the voluntary market;
- A 2005 proposal by the countries of Papua New Guinea and Costa Rica formalized interest in a system known as "Compensated Reduction" (CR), whereby developing countries are awarded credits, tradable on the international carbon market, for reducing national deforestation rates below a baseline level.

1.1 REDD

- REDD initiatives are currently being discussed within international climate negotiations, propose to pay developing countries for the carbon value of their forests;
- It is believed that these payments could shift the balance away from the economic incentives currently favoring deforestation, thus making sustainable forest management a more profitable alternative;
- In December of 2007, the World Bank launched the $250 million Forest Carbon Partnership Facility (FCPF), meant to build capacity for REDD in developing countries while providing a pilot program to test Compensated Reduction;

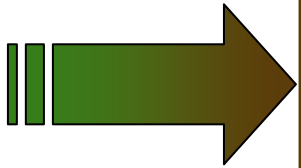
Two Mechanisms

Readiness Mechanism

READINESS FUND

~$100 million

Capacity Building (2008-?)



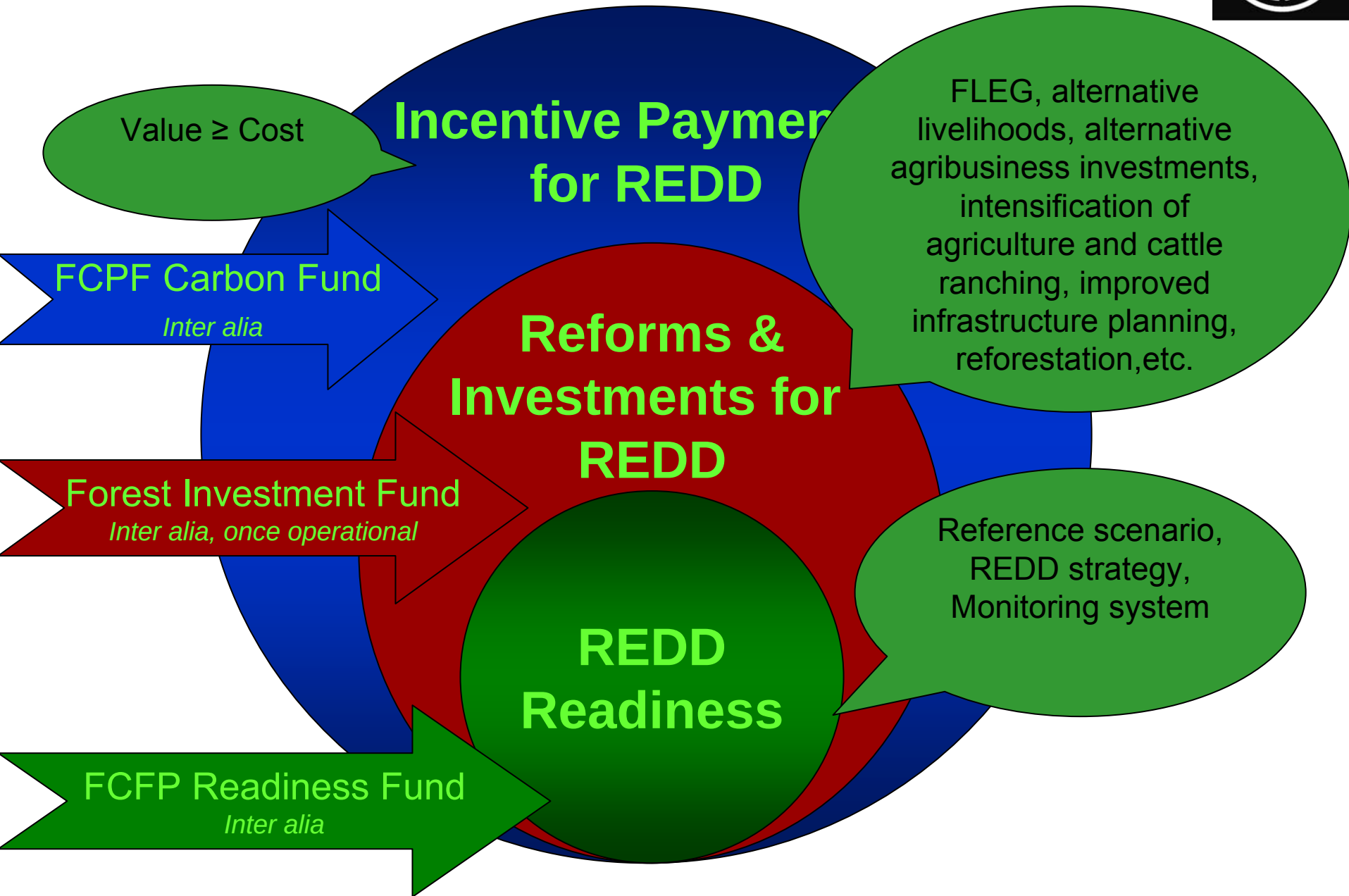
Carbon Finance Mechanism

CARBON FUND

~$200 million

Payments for Emission Reductions (2009-?)

Readiness + Investments + Payments



III. Selection of Participation Countries and next steps

3.1 Selection of participation countries

- SC Meeting in Paris on 8th July 2008 defined the selection criteria;
- Vietnam was one of the first batch of 14 countries to be selected;
- Asia: Vietnam, Lao, Nepal;

3.2 What are next steps?

Readiness Phases and implementation

FCPF Readiness

FIF?

Carbon

UN-REDD, bilateral donors, NGOs, foundations?

Preparation of R-Plan	Scoping and gap analysis Setting of objectives / defining activities Preparation of Stakeholder consultations plan
Strategy development & consultation	Identification of most effective and efficient strategies (incl. policy changes) Methodology work (Ref. emission level) Design of Monitoring system Identification of Investment needs
Implement. of monitoring	Implementation of monitoring system (co-financing from other partners needed)
Implement. of Strategy	Physical investments in projects, eg. Investments in infra-structure for forest concessions, demarcation of indigenous reserves, parks; economic alternatives; community forestry programs, etc.
Demonstration Activities	Payment for emission reductions from demonstration activities

The Readiness Plan is the extension of the R-PIN:

- *will build on information provided*
- *will demand additional detailed description on how REDD strategies will be prepared*

Draft Readines Process

Grant Agreement for Readiness

1st Phase (U$200,000)

REDD countries prepares the Readiness Plan

- Definition of objectives/strategies and responsibilities
- First Planning Workshop
- Stock taking of existing information and assessment of knowledge gaps
- Preparation of main ToRs for Plan
- Preparation of Consultation Plan
- Identification of potential partners ($)

→ R-Plan

Review

2nd Phase

REDD countries implement the Readiness Plan

- Identification of most effective and efficient strategies (incl. policy changes)
- Methodology work (Ref. emission level)
- Design and implementation of Monitoring system
- Identification of Investment needs

→ Country "ready"

3rd Phase if needed

IV. Implementation of REDD in Vietnam: Process and next steps

4.1 Some thought on the REDD in VN (1/2)

- Response to climate change has attracted great attention from Poliburo of the Party and Gov of Vietnam;
- REDD implementation contributes directly and significantly to Vietnam SDA (Agenda 21)
- It is considered as one of the country's obligation to implementation of the UNFCC and other MEAs;
- Directly support the implementation of ongoing developed NTP and AP to response to climate change of MARD;

4.1 Some thought on the REDD in VN (2/2)

- REDD policies: should be national-based not project–based (adopted the programmatic approach);
- Country-led program but needs support from international donor community;
- Requires the participation of trans-boundary, multi-sectoral and various stakeholders;
- Under umbrella of the NTP and directly support to achievement of the NTP's objectives;
- Utilization of existing institutional structure and platforms: MARD ISG, FSSP with close cooperation with MONRE;
- Mobilization of all potential resources: Gov, donors, private sector and local communities;
- Result of pilot studies will amend to current PES policies;

4.2 REDD contributes to successfully implement the NFDS to 2020)

- Strengthen FM and reforestation: 14.3 mill ha in 2010 (43%) – 16.24 mill ha 2020 (47%);
- In 2010: all forests are allocated to HHs & economic entities; in 2020: permanent real forest estate
- Afforestation: 1.0 mill. (2006-2010);1.5 mill ha in 2011-2020;
- Re-planning forests:
  - ✓ Production forest: 8.34 mill ha of which 4.15 ha of forest plantations, 30% FA receives FSC
  - ✓ Protection forest: 5.68 mill ha
  - ✓ Special-use forest: 2.16 mill ha
- Wood production: 20-24 mill m^3/year;

4.2 Process

- Preparation of R-Plan;
- Organized consultation meetings with relevant partners, including government agencies, Focal points of 3 Rio Conventions; private sector, donor communities, research institutions, local communities;

4.3 What are next steps

- Continue to prepare the R-Plan;
- Organized consultation meetings with relevant partners;
- Explore models, strategies and institutional arrangements for increased financing through bilateral and multilateral public funding mechanisms, debt reduction, payments for ecosystem services (such as water and carbon), private sector commercial investment;
- Establishment of a NWG chaired by DoF and co-chaired by a donor;
- Development of REDD strategy;

4.4 Why might REDD succeed in Vietnam?

- Volume of finance sufficient to shift the political economy of drivers of deforestation and degradation;
- Political attention and engagement at the national level;
- Alignment of the interests of multiple constituencies, ongoing programs and strategies;
- Performance-based finance;

4.5 Potential for REDD Win-Wins

- Emissions reductions;
- Improved local livelihoods;
- Improved biodiversity conservation;
- Improved forest governance and capacity of the forest administration systems;

V. Implementation of REDD in Vietnam: Constraints and challenges

Two main aspects:

- Technical issues;
- Institutional and financial aspects

REDD is complex

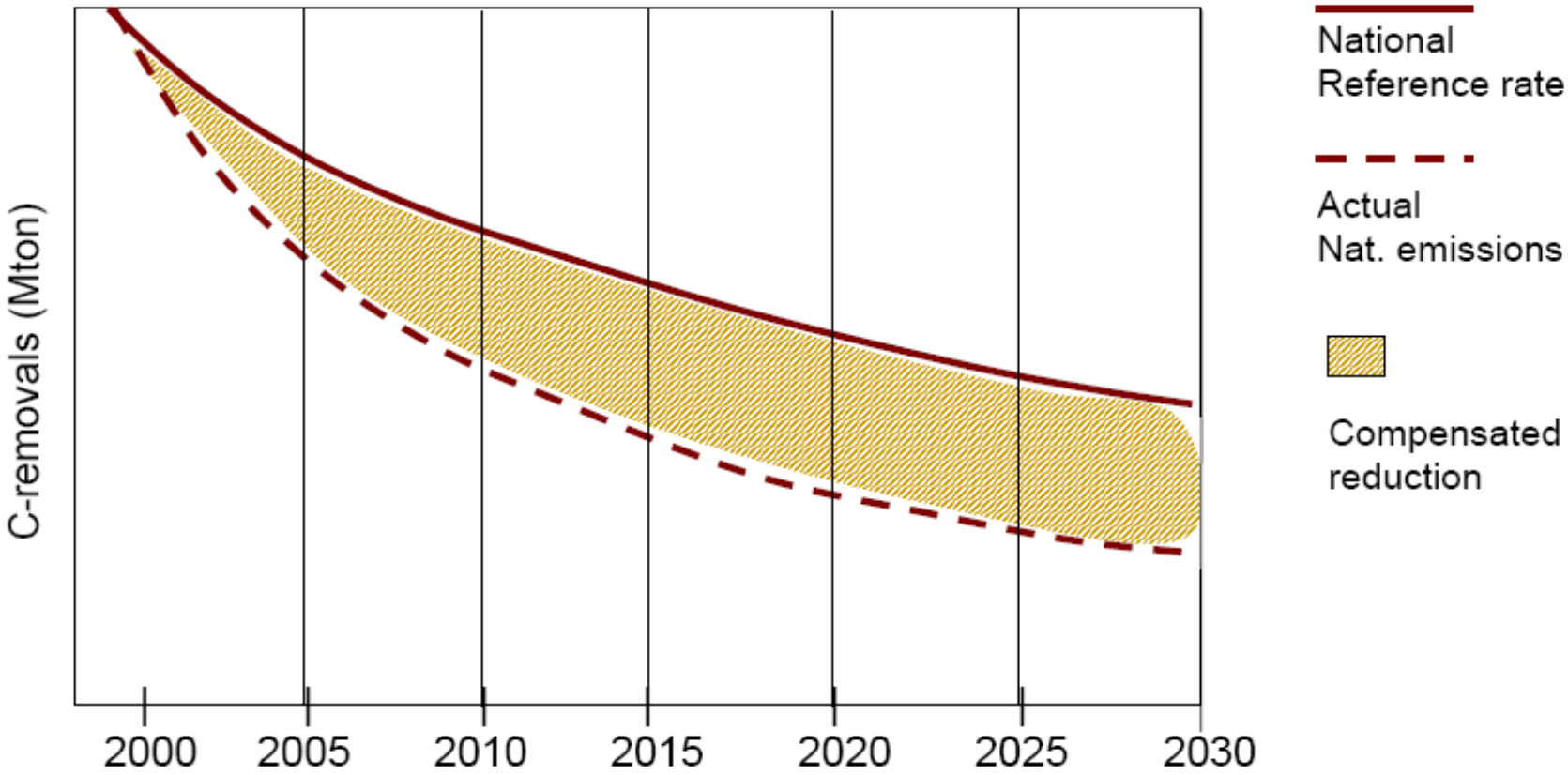
- Market flooding fear: “fungible” credits (e.g., CDM) or separate market for REDD credits?
- Financing - carbon payments after verification
- Pro or anti-poor national REDD strategies?
- Baselines – historical or predicted?
- Measurement of forest degradation
- How to include the private sector/projects?
- Early crediting of actions pre-2013?
- International leakage – demand for timber

Constraints and Challenges

- **REDD will require a new level of forest governance**
- Need for “REDD readiness”:
- governance mechanisms
- and institutional capacity
- – To decide on strategy
- – To measure and monitor
- change
- – To transfer payments
- • Need to manage risks and
- trade-offs
- • Need to establish legitimacy
- – Inclusive process
- – Equitable outcomes

Constraints and Challenges:

Technical issues



Constraints and Challenges:

Technical issues

- A carbon market-based funding mechanism, such as Compensated Reduction, is the current forerunner among various REDD proposals, but numerous technical issues pose significant obstacles to design and implementation;
- If they are not fully resolved, a market-based REDD could fail to achieve positive outcomes, or even increase global emissions;
- non-market options for funding REDD must also be considered, such as using existing development assistance, creating a new dedicated fund, or even redirecting revenues from a carbon tax or national cap and trade programs

Constraints and Challenges:

Technical issues

- **Scope:** Project-based or national-based? A national-level approach provides countries with flexibility to manage their collective forest resources and also avoids the problem of in-country leakage. Project-based policies would be initially easier to implement and better accommodate within-country heterogeneity, but present challenges when it comes to leakage and liability. Decisions about scope will influence thinking on many of the following issues.;
- Monitoring degradation and quantifying actual carbon: Technical availability vs. cost-effective; internationally agreed definitions, methodologies, and consistent characterization of emissions from deforestation and degradation;

Constraints and Challenges:

Technical issues

- **Baselines: How should baseline rates of deforestation be set to promote equity and encourage participation, and should they change over time?**
- **Leakage: The leakage problem is most apparent in a project-based approach, where the conservation of one forest can simply displace deforestation activity to another area;**
- **Permanence: Can reduced emissions from deforestation be considered permanent? Emissions reductions from forestry can be undone – weak governance structure and law enforcement and insecure land tenure security**

VI. Conclusions

VI. Concluding observations

- Carbon finance tackles market failure BUT won't work if the policy, governance failures persist, resulting in high opportunity costs of SFM;
- REDD has most potential since need to tackle these failures – but it is complex;
- READINESS – capacity building, institutions, carbon monitoring, economic analysis;
- Build synergies between mitigation and adaptation agendas – forests can do both and provide a range of co-benefits: UNFCCC, UN CBD, UNCCD;
- Need for information exchange or network;

Thank you very much for your attention!

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