



# EU Forest Watch

Informing NGOs, MEPs, Member States, the European Commission and the media

Issue 123 January 2008

## Bali Special

### Flawed assumptions in Bali as forests return to the conference table

After a decade in which forest issues have been sidelined at intergovernmental discussions, it was refreshing to have them back on the agenda and to hear decision-makers and the public in industrialised countries beginning to take note of the fate of forests. It was also positive to see the series of protests, actions and interventions by indigenous peoples and grassroots organisations that accompanied the UN climate meeting in December 2007 and which highlighted that reducing deforestation will take more than money, methodologies and carbon counting.<sup>1</sup> However, were the headlines which followed the conference proclaiming “good news for forests,” missing a deeper understanding of the situation?

There certainly were positive outcomes, such as the COP’s ‘Bali Action Plan’ “[r]ecognising the complexity of the problem, different national circumstances and the multiple drivers of deforestation and forest degradation.”<sup>2</sup> This statement acknowledges that whatever actions and financial mechanisms are adopted to avoid deforestation, to work in the long-term, they must take firm consideration of social issues.

There was bad news too though; two central assumptions in plans to curb deforestation are flawed, yet remain unchallenged. First, it is widely assumed that giving standing forests a monetary

value must be at the centre of any plan. To millions of forest peoples and forest dependent communities, these forests already have an immense value - without them they would be immensely poorer. Despite this, more often than not, these communities have no say in how forests are used; their land, tenure and customary rights are ignored and this violation of rights is at the heart of deforestation. The majority of proposals presented in Bali could actually result in payments to those who are violating these land rights – for example holders of concessions which were illegally obtained or handed-out despite ownership discussions remaining unresolved.

The second assumption worth challenging is that only trading of carbon credits can provide the necessary funding to significantly reduce emissions from deforestation.

Estimates of the cost of halting deforestation still vary widely, but the Stern review, which many believe underestimates the costs, states that to halve deforestation \$5bn would be needed annually. This is roughly equivalent to half the loss of revenue that governments currently incur due to illegal logging.<sup>3</sup> Other proposals included a \$0.5 levy on each barrel of oil sold, or dedicating a set percentage of revenue gained from auctioning EU Emissions Trading Scheme emission permits to

a fund addressing deforestation.

The main lesson FERN takes home from Bali is that there is a long way to go to convince governments and other actors that when addressing forest loss, the focus needs to be on the drivers of deforestation such as lack of good governance, corruption, unclear tenure rights, misguided government policies (such as those promoting agrofuels), perverse subsidies and other market failures. We have decades of experience looking at those actions that lead to forest loss and those that protect them. Demarcating indigenous lands, resolving land rights conflicts, and promoting good forest governance can be effective actions to keep forests standing, whilst poorly thought out EU policies such as its 10% biofuel targets encourage them fall.

If we truly want to avoid deforestation we need to deal with its drivers and have the policies in place to back that up.

1. [www.altereconews.org](http://www.altereconews.org) for articles on NGO action to raise awareness about avoided deforestation in Bali
2. [http://unfccc.int/files/meetings/cop\\_13/application/pdf/cp\\_redd.pdf](http://unfccc.int/files/meetings/cop_13/application/pdf/cp_redd.pdf)
3. [http://regserver.unfccc.int/seors/reports/events\\_list.html](http://regserver.unfccc.int/seors/reports/events_list.html)

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Photo: Jutta Kill

## NEWS IN BRIEF

The government of Norway used the Bali conference to publicly pledge \$2.7 billion over five years to support developing countries fight deforestation and reduce global CO<sub>2</sub> emissions. There is presently scant information on how the money would be used, though it seems it will not be linked to carbon trading nor be used to offset Norway's greenhouse gas emissions. Asked what the funding would support, the Development and Environment Minister Erik Solheim mentioned "alternative" forms of agriculture and rainforest policing, especially among countries that lack the capacity to protect their standing forests. Norway is still to make a decision about an allocation mechanism, but officials indicate it might be hosted either under the UN system or by the World Bank Group.

**Who was the biggest NGO in Bali?** The World Development Movement (WDM) discovered that it was not a household name, but the lobbying group, International Emissions Trading Association (IETA). With 336 representatives including lawyers, financiers, consultants, certifiers and emissions trading experts from companies like Shell, the IETA made up 7.5% of the 4,483 NGO delegates at the UN climate talks. This dwarfed the largest environmental groups like WWF (2%) and Greenpeace (1.6%) and shows who has most to lose from a climate agreement that will not be based on carbon trading and accounting. WDM's Pete Hardstaff stated "The fact that the IETA is the biggest NGO in Bali is indicative of the influence it will extend over the outcome of the talks." So far carbon trading has not proved it can deliver what is needed, yet governments are being lobbied heavily to expand trading by the growing number of companies and consultancies that stand to make money from it.

**Other discussions held in Bali that will affect forests** included that parties to the Kyoto Protocol doubled the size to which afforestation projects qualify as 'small-scale' under CDM procedures, and thus are subject to less scrutiny and bureaucracy. The February Forest Watch will include more on these other decisions.

[http://unfccc.int/files/meetings/cop\\_13/application/pdf/cmp\\_ssc\\_ar\\_cdm.pdf](http://unfccc.int/files/meetings/cop_13/application/pdf/cmp_ssc_ar_cdm.pdf)

## World Bank launch forest fund in Bali despite concerns of a lack of Consultation

The launch of the World Bank's Forest Carbon Partnership Facility (FCPF) (see FW issue 122) on 11 December 2007 was accompanied by a vociferous and colourful protest by environmental NGOs and indigenous peoples' organisations. They were urging governments to reject the new World Bank initiative promoting the inclusion of forests in carbon markets.<sup>1</sup> In the run-up to the launch, NGOs had contacted governments, asking them to refrain from tasking the World Bank with piloting approaches to avoid deforestation because of the Bank's poor track record.<sup>2</sup> They cited failures from Cambodia to Peru and DRC where a recent World Bank Inspection Panel report stated that World Bank-supported logging in the Congo Basin might exacerbate poverty.<sup>3</sup> Before launching the fund, the Bank's

consultation process, notably with indigenous peoples, was dismal. Although the World Bank's Head of FCPF Benoit Bosquet assured participants that the Bank learns, environmental organisations and indigenous peoples' organisations remain doubtful that the extended consultation round announced in Bali will indeed "ensure that the FCPF charter does respect indigenous peoples' rights." A meeting has been scheduled in Gland, Switzerland on 25th January to look at how lessons learnt from FLEGT can be applied to REDD and Forest Watch will report on any decisions made there.

1. [www.wrm.org.uy](http://www.wrm.org.uy) - 'Protecting the world's forests needs more than just money'

2. [http://www.forestpeoples.org/documents/forest\\_issues/unfccc\\_bali\\_ngo\\_statement\\_nov07\\_eng.shtml](http://www.forestpeoples.org/documents/forest_issues/unfccc_bali_ngo_statement_nov07_eng.shtml)

3. <http://siteresources.worldbank.org/EXTINSPECTIONPANEL/Resources/FINALINVPwhole.pdf>

## Proposal on avoided deforestation may undermine FLEGT

The EU Forest Law Enforcement, Governance and Trade (FLEGT) process will see the EU signing partnership agreements with timber producing countries to control the illegal timber trade, improve forest governance and strengthen local people's rights.<sup>1</sup> Agreements are being negotiated with Ghana, Malaysia, Indonesia and Cameroon and countries such as Liberia, DRC and Gabon are waiting in the wings. This process, if developed with informed and active participation of local actors (NGOs and the forestry industry) has a real chance of succeeding.

One of the issues that threatens to derail FLEGT is that some of these countries, such as Liberia and DRC, are also on the World Bank's FCPF list for potential pilot Reducing Emissions from Deforestation and Degradation (REDD) projects. As our Liberian partners write<sup>2</sup> "the RED concept has potential, but also risks that need to be clearly assessed and dealt with.

These include further entrenching the government's control over forests and contributing to the exclusion and marginalisation of forest peoples. Competing claims for compensation for avoided deforestation will increase the government's desire to protect would-be forest carbon 'reservoirs' and increase land speculation, grabbing and conflicts."

Whilst strongly backing EU FLEGT, the UK and Dutch governments are also two of the three major donors to the World Bank's FCPF. Hence they should ensure that any funds given to the FCPF are conditional to its rules contributing rather than undermining FLEGT's aimed for improvements in forest governance.

1. Council of the European Union (2003) Communication from the Commission to the Council and the European Parliament on Forest Law Enforcement, Governance and Trade (FLEGT): Proposal for an EU Action Plan – Council Conclusions

2. Liberia: forest and community rights in the context of climate change, discussion paper by SDI Liberia