



Developing Peatland REDD+ Projects

- recognising & managing investment risks

ASEAN Workshop on

Options for Carbon Financing in Support of Peatland Management

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REDD+ = Attractive Commodity



- **Value creation (reduced carbon emissions) in harmony with value preservation (forests)**
- **Landscape level operation**
 - integrated management of carbon storage at a commercial investment scale
- **Opportunity to apply business principles to carbon management**
 - funding of carbon for ecological preservation & social development on a commercial basis
 - Job creation
- **Structure to facilitate dialogue, promote collaboration between stakeholders, share economic & environmental benefits**

Underlying Investment Rationale



- **Project development begins with a commitment to invest**
 - public and/or private money

- **An investor will invest if:**
 - the risk / return outcomes meet decision making criteria
 - potential liabilities from project failure are manageable

- **Investment criteria are different for commercial & public investors**
 - financial return usually most important
 - potential for other commercial gains
 - corporate reputation, product enhancement, etc

Adequate Return, Limited Liability



■ Returns

- financial
 - net revenue earner, covering a carbon liability
- environmental
 - reduced GHG's, ecosystem preservation
- community
 - additional employment, local development
- intangibles
 - market access, organizational reputation, product differentiation

■ Liabilities

- financial
 - from non-delivery of carbon over the long term
- other
 - loss of reputation due to community dissatisfaction



Commercial investors need to manage core risks

■ Physical risks

- breakdown in supply of contracted credits (over-lapping permits, illegal logging, encroachment, fire)

■ Economic risks

- erratic fluctuations in carbon supply, demand and/or price

■ Social risks

- collaborative management
- equitable benefit sharing

■ Environmental risks

- delivery of MRV systems for environmental indicators that are reliable, creditable & respected by customers, markets & regulatory authorities

Conditions for Investment



■ Internationally respected accounting rules

- market acceptance of rules & credits produced

■ Rules for equitable sharing of carbon benefits

Profit sharing between:

- Government – national, provincial, district
- business
- community

■ Governance structures

- rules & credits produced

■ Carbon exchange rules

- conditions for sale and purchase

■ Progress

- BAPPENAS, UNFCCC, World Bank, bi-lateral agreements

Suitability for REDD+



Tasik Besar Serkap FMU (Kampar Peninsula):

■ “Dense” carbon

- high volume per hectare (estimated total is 4 giga-tons)
- long accounting period

■ Large area

- economy of scale (400,000 ha+)

■ High profile benefits

- Community – local communities traditional forest users
- Biodiversity – Sumatran tigers

■ Manageable

- Peninsula has natural boundaries – river & sea
- Existing plantations around ring provide a managed buffer
- Small population living on the Peninsula

APRIL's Interest in REDD+



“REDD+ an integral part of future forest business”

■ Extension of core business activity

- new, additional commodity and revenue stream
- complimentary land use – maintains upslope hydrology

■ Carbon liability coverage

- Used to “offset” carbon liabilities from industrial emissions

■ Product & corporate value

- balanced land management improves product acceptance
- increasing consumer preference for green products
 - carbon neutral or positive
- adds corporate reputational value

■ Social benefits

- community development funding & revenue sharing
- additional employment

APRIL's Peatland Capabilities



■ Long-term experience in managing peatlands

- managing peatlands since 2000
- 60% of total planted area is peatland management
 - a mosaic of plantations & High Conservation Value Forests
 - “Eco-hydro” buffer zones to protect HCVF’s

■ Leading peatland emissions & drainage research

- Science Based Management Support Project – 3 years working with leading water and peat scientists
- Collaboration with MoF MRV Team to monitor carbon gains

■ Local capacity

- Internal expertise – practical and experienced – land use planning, water management, infrastructures, conservation, etc.

■ Community empowerment

- Community Programs and MOU’s to equitably share resources

Summary



■ REDD+ has arrived

- a key, unavoidable component of climate action
- carbon is a recognized & accepted commodity
- a new business model – benefits from forest preservation

■ Peatlands are ideal for REDD+ investment

- dense carbon with manageable advantages
- but also requires expert management

■ The market is firming

- REDD+ carbon will evolve into a full compliance credit
- project initiation will gain pace with compliance market acceptance

■ Projects will succeed & fail

- investment risk recognition & management critical
- **Keys to success:** (i) active & collaborative in-field management
(ii) benefit sharing

Carbon: the next marketing claim



Example: Australian supermarket

■ Tissue

- 12 out of 13 brands claim environmental credentials
 - e.g. sustainable forestry, supporting wildlife/habitat programs, chlorine free processing, etc
- 5 have a “green” brand name
 - e.g. Envirosoft, Ecoply, Naturale
- carbon neutral / positive will be the next branding

