



TOPIC: “TAKING THE LEAD: PAYMENTS FOR ECOSYSTEM SERVICES IN SOUTHEAST ASIA”

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OUTLINE OF PRESENTATION

- 1.0 INTRODUCTION**
- 2.0 STATE OF EMERGING ENVIRONMENTAL MARKETS**
- 3.0 VOICES FROM THE MARKETS**
- 4.0 FOREST CARBON AND REDD ARCHITECTURE**
- 5.0 PAYMENTS FOR WATERSHED ECOSYSTEM SERVICES**
- 6.0 BIODIVERSITY MARKETS AND MARKET-LIKE INSTRUMENTS**
- 7.0 COASTAL AND MARINE MARKETS (INCLUDING MANGROVE ECOSYSTEMS)**
- 8.0 BENEFITS DISTRIBUTION SYSTEM (BDS)**
- 9.0 WAY FORWARD**



1.0 INTRODUCTION

- Paul Baker (INA), John Kuange (WCS) and myself attended the 2010 17th Katoomba meeting for Southeast Asia from 23rd – 24th June 2010 in Hanoi, Vietnam.
- Objective of the meeting: Introduce the current “state of play” of market payments for ecosystem services (PES), highlighting the potential of PES to conserve the environment and improve livelihoods in Southeast Asia.
- The Katoomba Group is an international network working to promote and improve capacity related to markets and payments for ecosystem services (PES). The Katoomba Group includes over 180 experts and practitioners from around the world representing a range of experiences in business finance, policy, research and advocacy.

For more information please see: <http://www.katoombagroup.org>

- Six co-hosts including: Vietnam Ministry of Agriculture and Rural Development, Vietnam Ministry of Natural Resources and Environment, Forest Trends, The Katoomba Group, USAID and Winrock International.
- Thirteen other Sponsors and Partners including Norwegian Embassy, World Agroforestry Centre, CIFOR, GTZ, Rainforest Alliance, ADB etc.



2.0 STATE OF EMERGING ENVIRONMENTAL MARKETS

- **Overview of Markets of Environmental Services**
Kate Hamilton, Director, Ecosystems Marketplace, Forest Trends
 - Ecosystems market place created 6 years ago
 - Vietnam leads in PES
 - PES can be bundled ie. Carbon markets, Biodiversity markets, Payment for watershed (PWS).
 - Southeast Asia leading Watershed payments, US\$ 5 billion prospective payments (1985 – 2008).

- **Payments for Ecosystem Services as Financial Vehicles for Biodiversity Conservation, Climate Change Adaptation and Mitigation, Poverty Reduction and Rural Development, James Peter, Chief Technical Advisor, Asian Development Bank.**
 - PES can be considered a tool for financing macro economic policy objectives:-
 - (a) Improve scientific base lines.
 - (b) Improve policy enabling conditions.
 - (c) Design and deploy ecosystem service mechanism under National and Sub-national initiatives.

2.0 STATE OF EMERGING ENVIRONMENTAL MARKETS (Cont.....)



(d) Agencies need to cooperate, ie. “Putting the forestry sector to work to achieve development” Vietnamese slogan.

- Outcomes

- Address climate change issues, biodiversity conservation, poverty reduction and rural development strategy.
- Encourage to start small and scale up
“Learning by Doing”

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3.0 VOICES FROM THE MARKETS

- **Enabling Policy environments which encourage public – private investment partnership, catalyzing flows of private capital into local climate change mitigation and adaptation initiatives.**
- **Public – Private Investment Partnerships, David Brand, Managing Director, New Forest Pty Limited**
 - **Expert on PES (Interim Financing and Sustainable financing)**
 - **Managers Carbon Financing, Sustainable forest Fund, Eco-Forestry Fund and Biodiversity Banking (US\$ 50 million).**
- **Example of involving the Private Sector Interim REDD+ Financing USD 4.5 billion while the Oil Palm Industry is around 40 billion.**



4.0 FOREST CARBON AND REDD ARCHITECTURE

Post Copenhagen is a period of “interim financing” and the challenges of ensuring that investments flow efficiently to produce mechanisms for carbon emissions reductions, accountability and equitable benefits distributions.

- **UN REDD Program**
Tim Boyle, Asia Regional Coordinator, UNREDD
- **Comparative Analysis: Policy and Implementation, Approaches across Southeast Asia Region**
Kurt McLeod, Vice President, Asia and Eurasia, PACT.
- **Experiences from Aceh Province, Indonesia**
Mr Yakob Ishdamy, Head of Aceh Green Secretariat, Aceh Province, Indonesia.
- **PNG Forest Authority Perspective**
Goodwill Amos, Forest Authority, Papua New Guinea.
- **Designing National REDD Programs from the Bottom-up**
Eveline Trines, Silvestrum



5.0 PAYMENTS FOR WATERSHED ECOSYSTEMS

Understanding how to maximize ability of market mechanisms to increase watershed services while also providing incentives for improved landuse in catchment areas.

- **Overview of China's Eco-Compensation Programs**
Jin Leshan, China Agricultural University
 - Since 1999, China has paid USD 12 billion to 30 million household in 25 provinces and has planted 12.6 million ha with tree plantations.
 - Beijing Water catchment area

Emerging Markets and Market-like Approaches to Watershed Quality
Mark Kieser, Senior Scientist, Kieser and Associates

- **What is required to determine Payments for Watershed Services (PWS)**
 - (a) Identify the market participant.
 - (b) Establish the technical issues and needs.
 - (c) Identify the environment credits.
- **Markets – Biodiversity Offsets, Cap and Trade, PWS Subsidies.**
- **Resource Economist – to evaluate PES or PWS.**
- **Government and Private Sector can play the role of a buyer.**

6.0 BIODIVERSITY MARKETS AND MARKET-LIKE INSTRUMENTS



How to get beyond public finance for biodiversity conservation and how markets can be used to achieve more and better cost effective conservation outcomes from infrastructure developments.

- **State of Biodiversity offsets and Biodiversity Market Instruments**
Kerryten Kite, Director, Business and Biodiversity Offsets Program (BBOP)
 - Rio Tinto also involved in Biodiversity Offsets and Biodiversity Markets.
 - PES – Involves ecological services.
 - Biodiversity offsets, involves everything (ie. Flora and Fauna)
 - Biodiversity offset determines no net loss by quantifying loss and gain.
 - Forest Trends (BBOP) will be coming to PNG this year to work with NBPO and the LNG Project on Biodiversity Offsets.

- **REDD+ and Biodiversity Conservation**
Terry Synderland, Forest and Livelihoods Programme, CIFOR
 - 15% of the world is covered by forests.
 - 50% of biodiversity relies on forests.
 - Definitions – RED, REDD, REDD+ and REDD++.
 - REDD+ - New hope for forest conservation.
 - Cost benefit analysis needs to be done for Oil Palm and REDD+.
 - Governance may be an issue in Indonesia and PNG for REDD+ funding by international donors.

6.0 BIODIVERSITY MARKETS AND MARKET-LIKE INSTRUMENTS(Cont.....)



- There will still be much to learn on the ground in terms of biodiversity conservation and livelihood improvements.
- Also there is lack of honest reporting.
- Furthermore, there are multi functional landscapes including:
 - (a). Timber Areas (more successful)
 - (b). Protected Areas
 - (c). Biodiversity Conservation Areas
- Biodiversity Conservation more resilient to climate change.

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7.0 COASTAL AND MARINE MARKETS (INCLUDING MANGROVE ECOSYSTEMS)



Payments for Ecosystem Services and other innovative mechanisms for marine and Coastal conservation.

- **Frontier of Payments for Ecosystem Services Protecting and Maintaining Marine and Coastal Ecosystem Services.**
Winnie Lau, Forest Trends

- **Mangrove covers 5% of the World's landmass.**
- **38% of the World's population lives near the sea.**
- **96% of the World's Ocean have been impacted.**
- **Mangroves provide carbon sequestration functions, fish nursery sites, coastline and beach stabilization, coastal water quality function and marine biodiversity sites.**
- **Mangrove Carbon Credits – Carbon Capture of Mangrove is 6 times more than an undisturbed Amazon rainforest in Brazil and also has many co-benefits.**
- **Fisheries no-take zone in Puerto Morales, Mexico.**
- **Beach Maintenance in San Andres Island, Columbia.**
- **Sea grass – has carbon benefits.**
- **Blue Carbon Sinks : Mangroves, sea grasses, marshes and other wetlands**
- **80% of the World's reefs and oceans provides USD 60 billion per annum of marine resources.**

7.0 COASTAL AND MARINE MARKETS (INCLUDING MANGROVE ECOSYSTEMS) (Cont.....)



- **Coastal Community Livelihoods Implication to Impact Ecosystem Services**
Don Macintosh, Director, Mangroves for the Future
 - **Mangroves more than trees.**
 - **Mangrove ecosystem provides a lot of goods and services for poor people.**
 - **Most carbon is stored in the Mangrove root sub soil.**
 - **COP 16, Cacus, Mexico – will consider Mangroves as the case with peat swamps.**

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8.0 BENEFITS DISTRIBUTION SYSTEMS



Meeting expectations for equity, transparency, additionally and performance
While managing PES revenues in an effective and efficient manner.

- **Benefits Distribution System for Vietnam and Lessons Learned from Past or Current Forest Programs with Benefits for Local Stakeholders**
Thangh Manh Cuong, Ministry of Agriculture and Rural Development, Vietnam.

- Design REDD+ benefit, study conducted in Oct – Dec 2009, funded by UNREDD Program and GTZ
- Study Team consists of 10 International and National Experts.
- Revenue breakup – National, Provincial, District.
- Payment structure – Forest Owners eligible to receive REDD+ benefits.
- Benefit Distribution System

PES

Local Buyers
Prices set by local studies
Weak Performance based
Conditionality

REDD+

Global Buyers
Prices set by Global markets
Strong Performance based
Performance

- Need to strengthen law enforcement for benefit sharing.
- Need to monitor the benefit distribution system.

8.0 BENEFITS DISTRIBUTION SYSTEMS (Cont.....)



- **Experience with Benefits Sharing under the Developing Eco-Compensation Policy Framework Developing in China.**
Dr. Cai Bofeng, Professor, Chinese Academy for Environmental Planning, China
 - **Forest Ecosystem Compensation Fund.**
 - **Ecological.**
 - **Grain for Green.**

- **Villages and REDD+ : Issues of Local Peoples**
John Kuange, WCS, Papua New Guinea

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9.0 WAY FORWARD

In response to these questions and challenges, the meeting offers PNG a unique opportunity to engage and further develop:

- **Carbon Financing** including post – COP 15 discussions on national – level REDD systems, international, regional and national experience, investor and other stakeholder engagement, pilot demonstration sites, capacity building/training needs and research agendas; and
- **Payment for Watershed Services** Schemes throughout the region, by exploring current projects and experience around the world where PWS agreements are operational.
- **Payment for Marine Ecosystem Services** throughout the region, by exploring how climate change adaptation strategies can be complemented by mitigation measures and revenues from a range of marine ecosystem services;
- **Biodiversity Markets and Market-like Structures** Offsets, biodiversity banking

Finally, PNG should support Vietnam's initiative to bring to COP 16 in Cancun, Mexico, Forest Ecosystem Services (FES), Biodiversity Offsets and Mangroves.



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Thank you