

INA-IGES Seminar February 2013

PES/REDD+ Workshop


Payment for Environmental Services trial project

◆ F O R C E R T ◆

Forest Management & Product

Certification Service





The FORCERT company: PNG based & owned Not For Profit Company promoting sustainable forest management through providing certification & marketing services of forest products for local small-scale enterprises

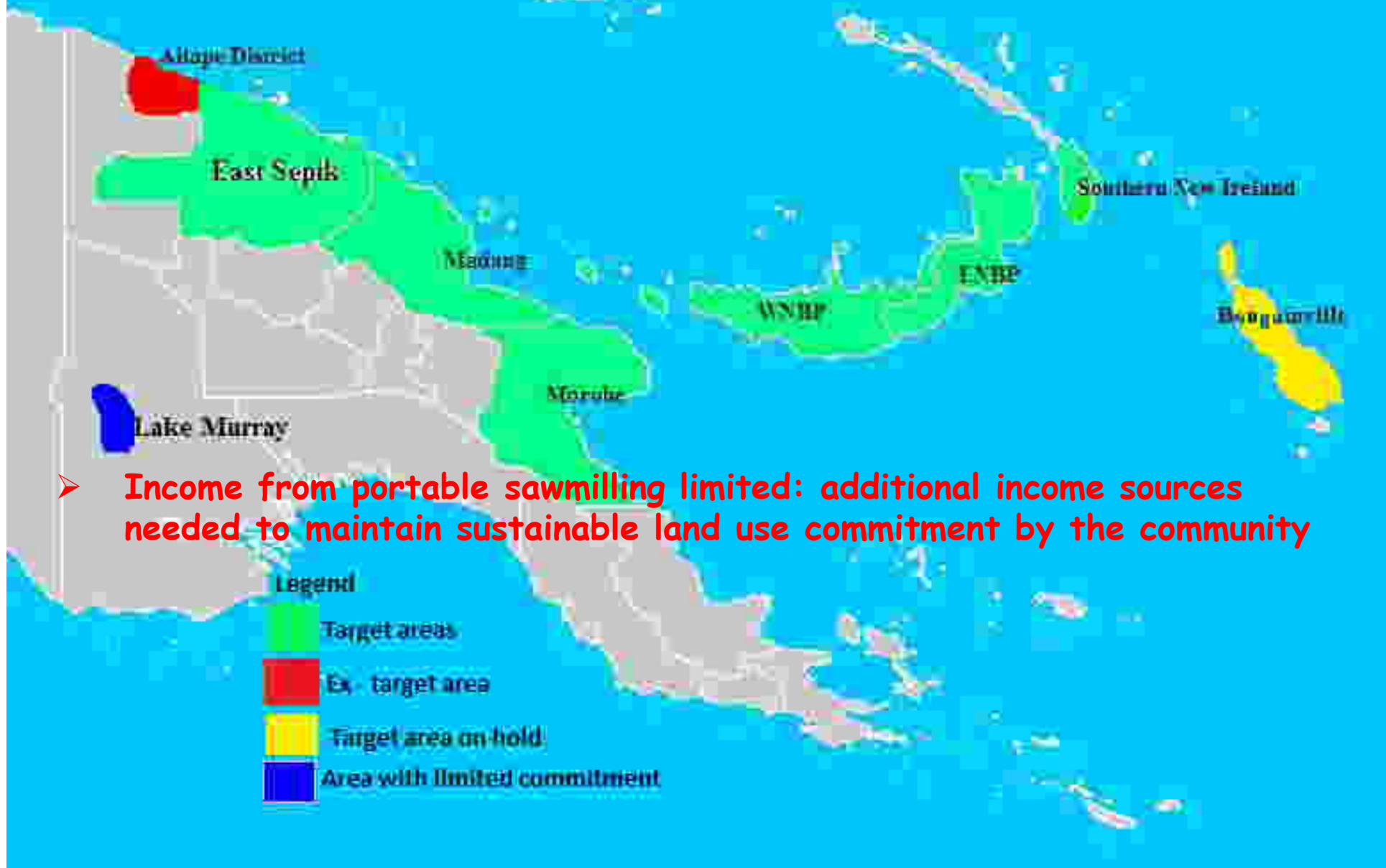
- * FSC certification
- * Fair Trade certification

1. Group Certification Service Network Branch
2. Awareness, Training & Capacity Building Branch

Group Certification Service Network to become self-financing:

- * Annual membership fees
- * Service fees
- * Levy on certified product sales
- * Consultancy fees

- Working with 25 interested communities in these areas, at various stages of certified eco-forestry business development



- Income from portable sawmilling limited: additional income sources needed to maintain sustainable land use commitment by the community

FORCERT

Payment for Environmental Services trial project (2010-2013)

exploring the options of
Payment for Environmental Services
as additional resource management &
income generating option
for community eco-forestry enterprises

(focus on carbon storage & sequestration as most potential ES at present)

Section 1. Development & implementation PES management at
community level

Section 2. Development of a draft PES system for PNG

Not carbon trade, not REDD, but Environmental Services for community survival

- It is all about *Climate Change*, not about money!
- Unknown climate changes will affect rural communities
- Environmental services from their land essential with uncertain climate
- Communities need to prepare: Sustainable Land Use Plan
- One of the income generating options: manage forest for Payment for Environmental Services
- REDD only one form of PES
- Carbon Trade confusing concept: carbon is not a commodity, carbon credits just one way to measure one ES
- Carbon market: good to get early action going, dangerous to rely on for long term financing & real emission reductions

Section 1: PES management at community level

Trial forest carbon inventories

- Community inventory teams inventor and monitor own forest (8 communities; 6 males + 6 females)
- Impact monitoring of portable sawmill operations (2 communities)
- Development methodology and manual for community forest carbon inventory

Community PES management preparations

- Awareness & discussions with communities (8 communities)
- Capacity building communities for PES management (6 communities)
- Trial PES group certification (5 communities)



FORCERT-PES
Payment for Environmental Services trial project

**Papua New Guinea field protocol
for measuring carbon sequestered in forest**

By
Pamela Avusi, Ruben Taminza and Peter Dam

Working Draft

January 2013

Community inventory teams trained to inventor & monitor their own forest



Community PES group certification preparations

- Trial communities FORCERT GCSN members
 - ✓ Community organisation (Incorporated Land Groups)
 - ✓ Company/Business group organisation & establishment
 - ✓ Socio-Economic & Environmental Baseline Survey
 - ✓ High Conservation Values assessment
 - ✓ Sustainable Land Use Plan
 - ✓ Six-monthly monitoring FSC & Fair Trade certification requirements
- Community awareness & discussions CC & PES: lowering expectations
- Forest carbon inventory & re-measurements by community team
- Discussions draft VCS Project Document at community level
- FORCERT VCS Grouped Project methodology at first validation
- Discussions PES benefit sharing mechanism & preparations for trial financing
 - * **MoU OCCD & FORCERT on PES community trial projects**

PES community meetings



Section 2: Draft PES system for PNG

Developed by Expert Consultation Group

Group of concerned Papua New Guinean experts

Proposed Payment for Environmental Services system:

- gives outline for transparent operational PES framework
- ensures maximum benefits reach local communities
- contains major aspects of practical transparent & equitable PES system

Draft system for consideration by all stakeholders:

- ✓ OCCD to include key elements PES system into Climate Change Policy
- ✓ Gap analysis PNG REDD+ Project Guidelines & PES system
- ✓ Trial PES group certification & financing follows concept PES system

relevant personnel within this topic in the Report to date

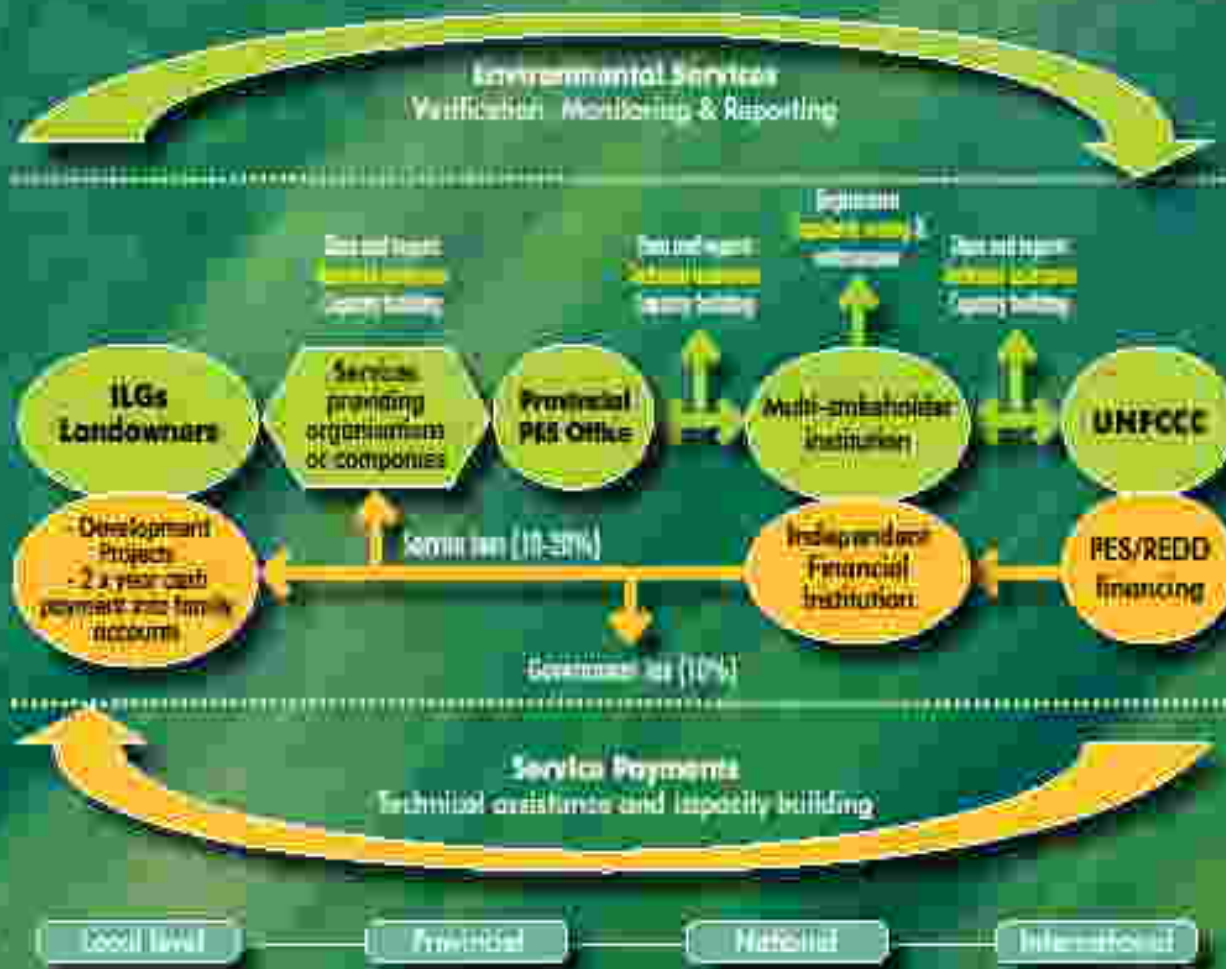
The Proposed PES system for PNG is not a hybrid or fixed system, merely a proposal outlining all major aspects of a potential component and optional PES system, which is referred for comment to all stakeholders involved, and is subject to the Committee of PNG. The ECD trusts the PNG Government will be very interested to consider a more robust PES system, instead of continuing to rely on foreign consultancy inputs. Ideally the ideas from the PES system would be incorporated into the Government's Climate Change Policy and into the design of all Government REDD+PES pilot projects.



if the shifts back.

- Implementation requires various steps that have to be done to go through the various stages. Government to be flexible at a time if there are possible in the implementation process. Instead of the steps, only money should be if it cannot be continued at the end.

National Commitment - (Events Post 2017)



The PES system is a key component of the Government's Climate Change Policy and into the design of all Government REDD+PES pilot projects.

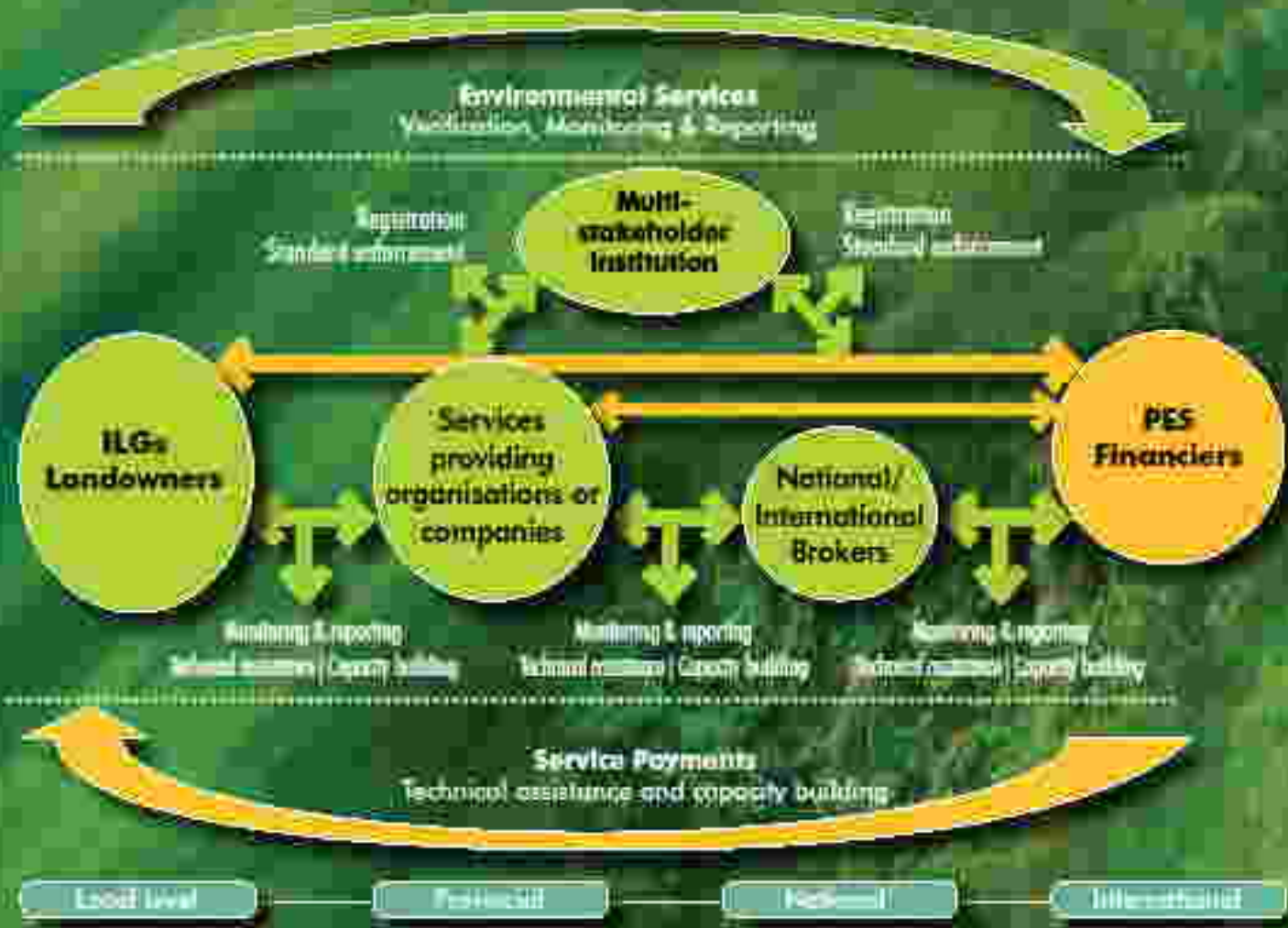


It is ongoing with an annual monitoring & reporting. Any costs are to be paid from PES income but should be kept below, e.g. 10-20 % of total income not to be considered sustainable. However, we would be able to estimate self-financing, both for cost recovery and to provide financial continuity/development and stewardship.

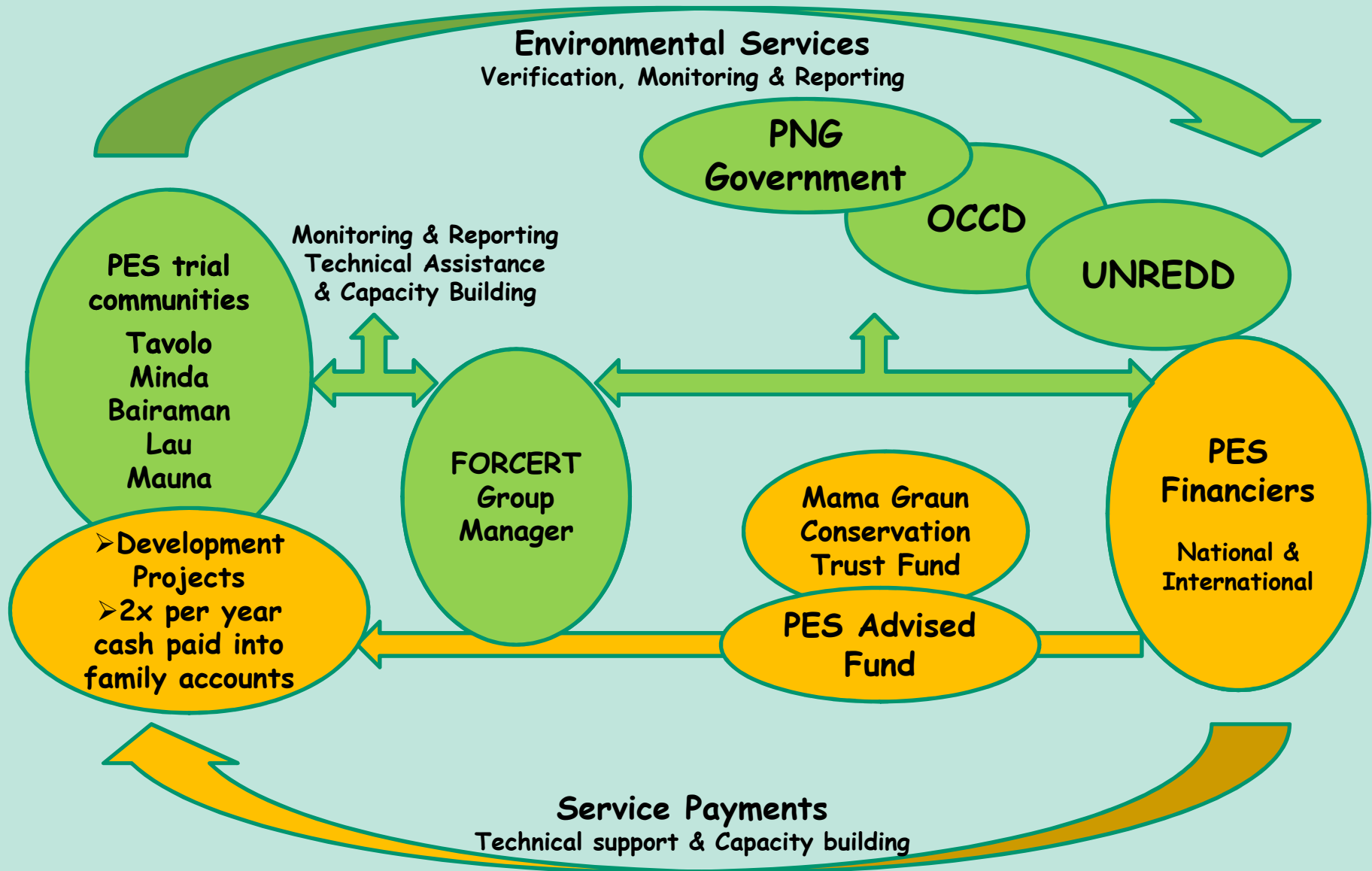
... instead, it is through the involvement of some organisations through the PES system.

There could be commercial entities monitoring funds of all users of the PES system by independent third party organisations.

Voluntary Market – (present and to be merged with National Commitment Post 2012)



FORCERT-PES group certification & financing trial



detailing the Benefit Sharing Mechanism...

- General outline PES Benefit Sharing Mechanism in Proposed PES System for PNG
- Detailed BSM discussion document drafted by FORCERT staff
- Detailed BSM discussion document sent to NGO's & experts involved in PES/REDD for comments
- Comments processed and BSM discussions started at PES trial communities...

...while preparing for trial payment to communities

- ✓ Establishment of PES Advised Fund with Mama Graun Conservation Trust Fund
- ✓ Communities establishing rules & regulations for PES benefits
- ✓ Negotiations on pre-financing

BSM community discussions



Environmental service delivery

- Broadest possible range of environmental services
- Service quality guaranteed by independent third party certification
- Pool of multiple environmental services through group certification

PES income

- PES funds coming from wide range of national and international income sources
- Voluntary Environmental Services markets will not be the only or the major income source
- Payments to PES Advised Fund not to be directly linked to individual communities
- Financiers and funds acceptance criteria to be applied;
 - no green washing of notorious environmentally destructive companies
 - no on-selling of services
 - no long-term use of service provision to off-set environmentally unsustainable practices

Potential PES income sources

➤ Overseas companies



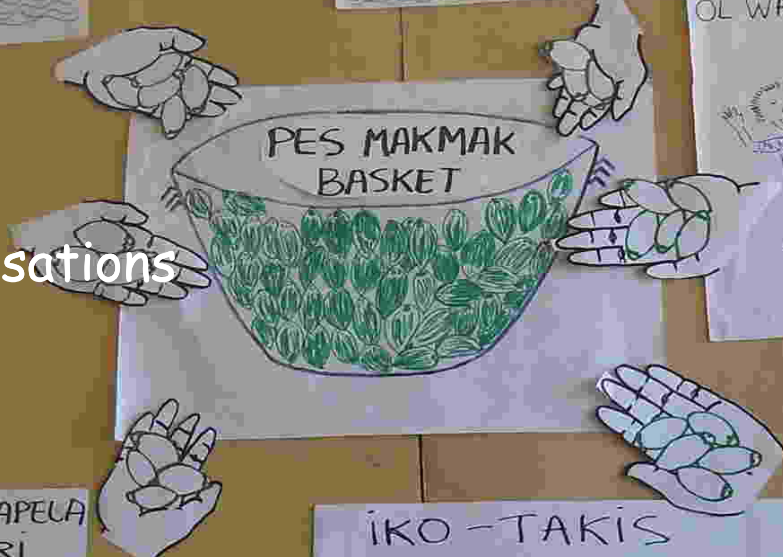
➤ Resource exploitation projects & companies operating in PNG



➤ Charitable organisations



➤ Crowd funding



➤ Bilateral & multilateral support



➤ Eco-tax



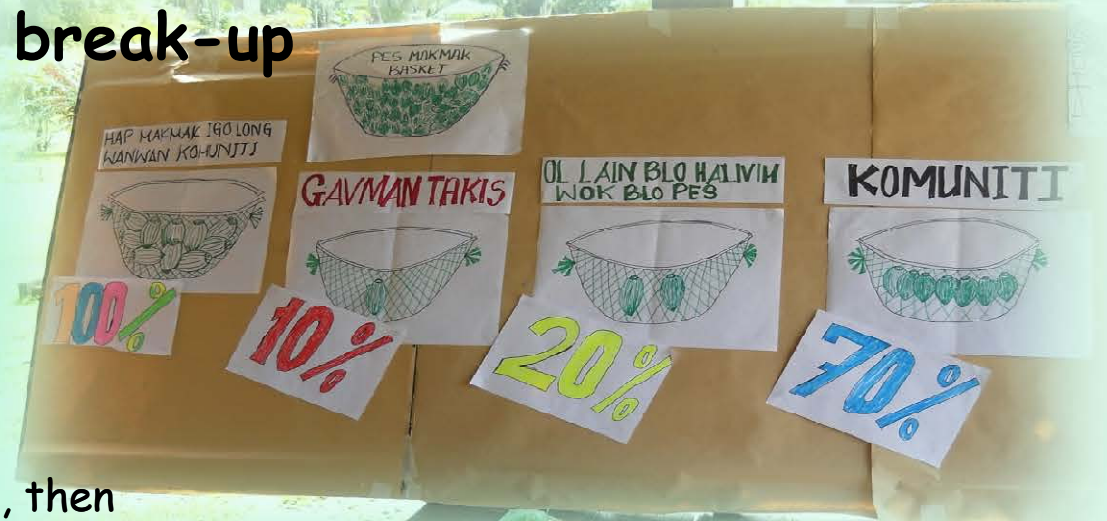
PES income management

- Mama Graun Conservation Trust Fund (MGCTF) to function as trial Independent Financial Institution managing the PES Advised Fund
- All PES income and disbursement to be managed through this construction
- FORCERT acts as service provider to communities & MGCTF; involved as VCS project proponent, but does not handle any PES income

PES payments

- Community should not rely only/mainly on PES as source of income
- Payments to be directly linked to community commitments and performance (30 year contract, with reviews every 10 years)
- Eligibility criteria to also allow communities with little land and potential Environmental Services to participate
- Distribution criteria/coefficients to ensure they would still receive benefits at a level sufficient to them

Proposed PES payments break-up

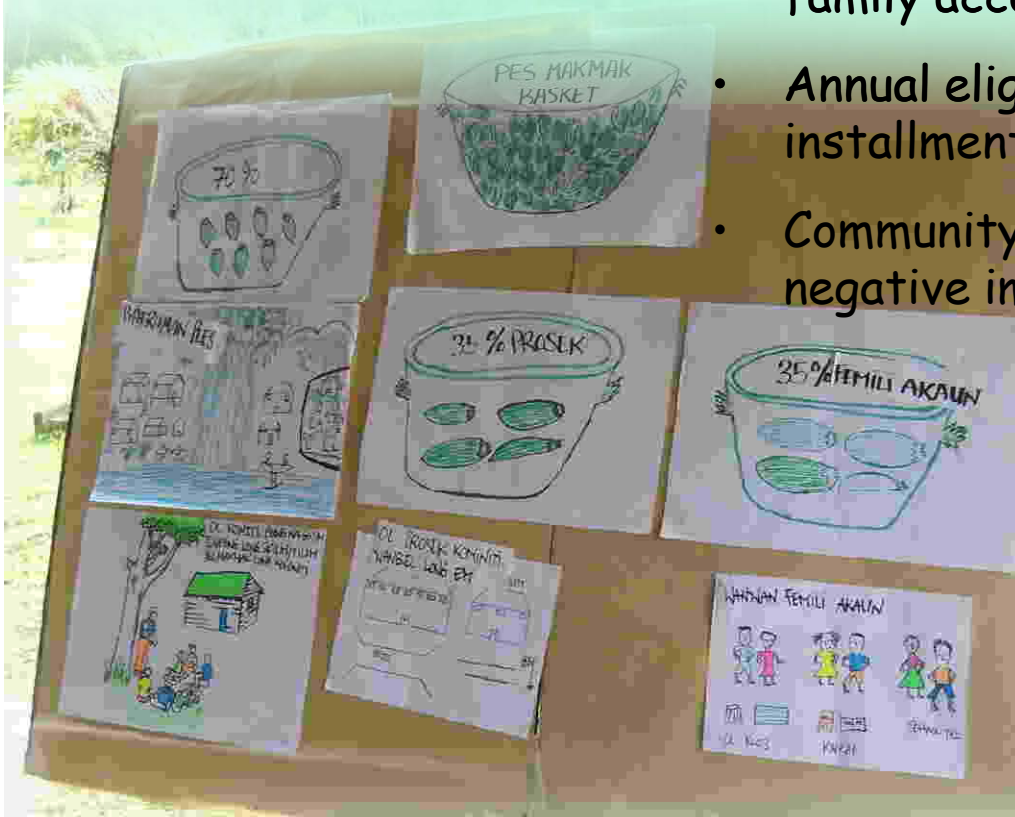


100% financing in from PES financiers, then

- 10% GST to Government
with 5% going to the LLG(s) from the PES project area
- Maximum of 20% for transaction costs divided between:
 - Technical support organisations for essential support services to ILG's in achieving & maintaining PES standards
 - Management cost for the PES Advised Fund
(main costs to be covered from the revenue of the managed capital)
- Minimum of 70% of the benefits going to the landowners:
 - Maximum of 35% in regular (six-monthly) cash payments into family accounts
 - Minimum of 35% earmarked for community development projects

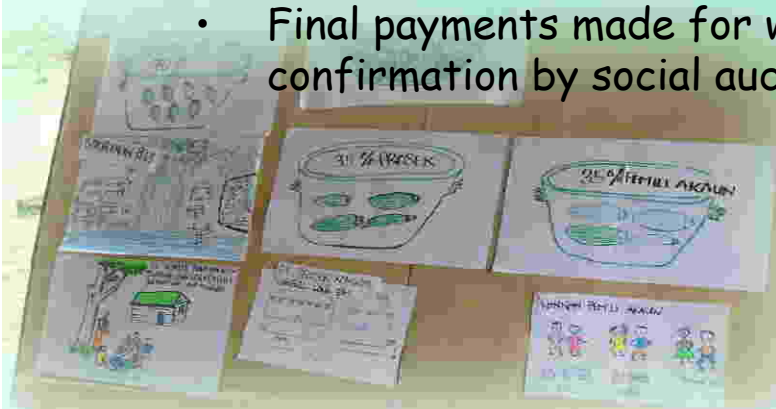
Cash payments

- Made directly from the PES Advised Fund into family accounts
- Community decides on eligible families in accordance with their ILG or other land group membership
- Husband and wife are joint signatures to their family account
- Annual eligible amount deposited in two installments; end of January and end of July
- Community to monitor and control potential negative impacts of cash family payments



Community development project contributions

- For projects agreed to by the community as part of their Ward / LLG / District Development Plan(s)
- Direct payments from PES Advised Fund to contractors; transparent local tendering process for large projects & clear criteria for contractor selection and payments for small projects
- Projects to be organized and financed in stages, with monitoring/auditing to confirm stage completion and quality of project constructions, before release of payment for the next stage is done
- Advance payments to contractors to be limited to certain maximum total contract percentage
- Monitoring and auditing of work progress and completion to be done through social auditing by the community/communities involved with monitoring & auditing costs to be factored into the overall project costs
- Final payments made for work completed to the agreed standard after confirmation by social auditing by the community



"How do we guarantee equality in PES benefit distribution around the country?"

PES allocation mechanism

- *Are we only looking at REDD+ funds directly related to certified emission reduction units from particular areas?*
- *Is there a way to capture all potential PES options and include all interested communities?*

Choices to be made on what areas of forest land PES/REDD+ funds should target:

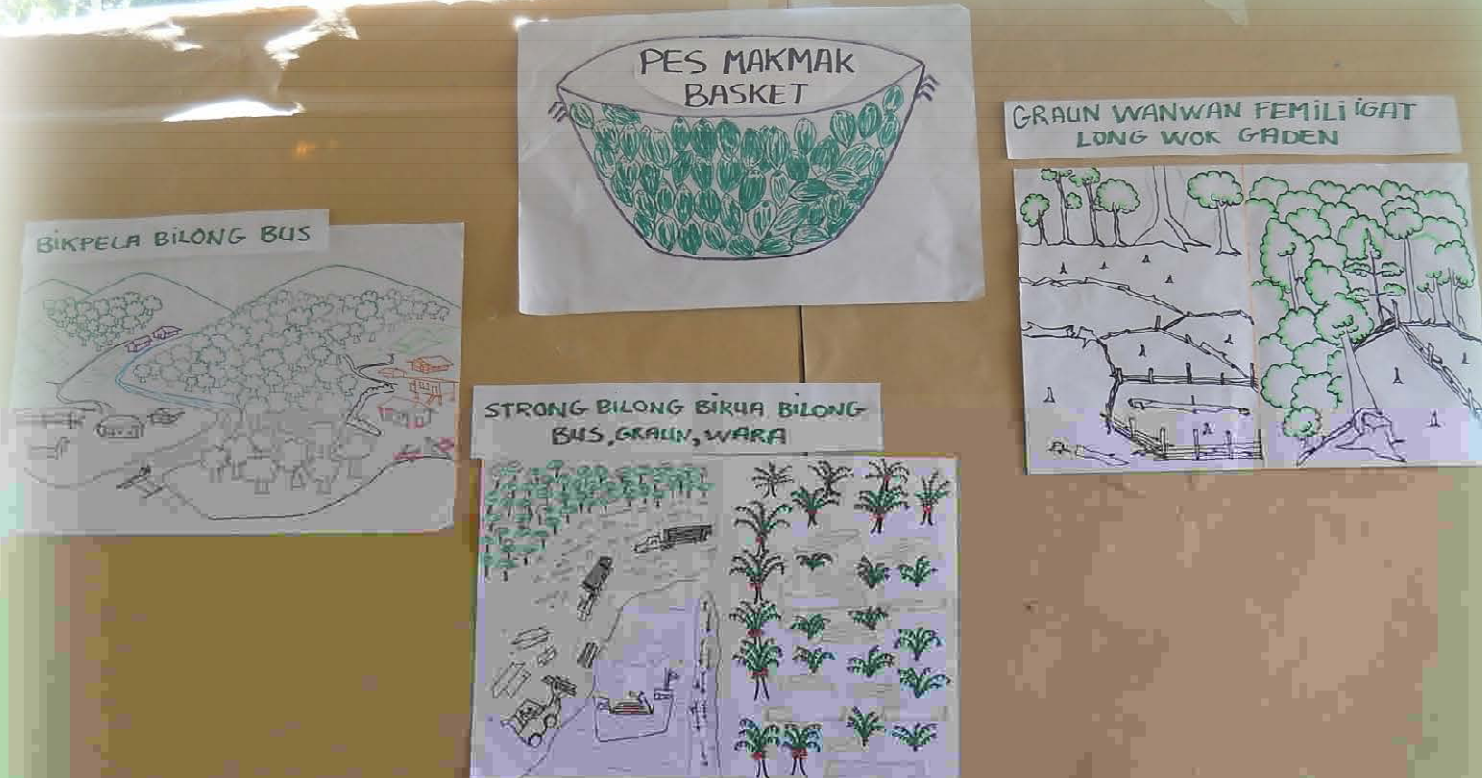
1. Either exclusive focus on the potential of different sites to avoid or reduce CO₂ emissions and only use carbon credit criteria.
2. Or choose to consider the production of co-benefits together with carbon storage & sequestration and/or other environmental services.

"Use of weighted coefficients would be a practical way to factor attention to the production of co-benefits into the (sub-)national allocation of PES funds"

(adapted from recommendation UNREDD Viet Nam study)

Proposed PES allocation criteria

NB: Directly linking any particular type of PES income to individual areas or communities is likely to lead to large inequalities within PNG, between and within Provinces and Districts and even between neighbouring communities



The following criteria are thought to provide clear direct information on the level of commitment for ES delivery of a participating community:

- Available arable land per family (hectares/family)
- Size of forest protected (hectares/community)
- Degree of threat to the forest area (carbon credits/hectare)

Concluding remarks

To make the potential long term income from PES in PNG a reality we need:

- PNG Gvt to widen REDD to PES and accommodate nested approach through collaboration with stakeholders on early sub-national action
- PES to be part of overall plan to assist communities in climate change adaptation: maximum involvement & ownership communities
- Community Land Use Planning by genuine landowners as basis for higher level government LUP: guarantee sustainability & permanence
- Transparent & equitable PES system, with shortest possible link financier to service provider & maximum benefit to service provider: local communities
- Practical trial runs of PES system, including payments to test benefit sharing mechanism
- Government to show its people it is serious about promoting PES: stop all SABL projects & no new large scale resource exploitation and agriculture projects

Stop talking **Carbon Trade &**



start assisting communities in
Sustainable Land Use Planning
with PES as one of
their resource management options

- improved livelihood
- prepared for climate change impacts
- contribute to global climate change mitigation effort