

Opportunities for SPGS Members in the Carbon Markets

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What's a Carbon Credit?

- It's a Greenhouse Gas emission "permit" or "reduction"
- There are 6 Greenhouse Gases
- It's equal to 1 tonne of CO₂ (tCO₂e)
- It's either traded as an allowance or as a project offset
- Greenhouse Gases cause global warming
- The UN's **Clean Development Mechanism** (CDM) is largely responsible for the growth in carbon credit trading

The Carbon Markets

- Are where various types of carbon credits are bought and sold
- Growing fast - will be the largest global market
- 2007 figures \$64b, voluntary =\$265m
- Allowance & project-based markets
- Compliance (CDM) and voluntary markets
- Special rules – leakage, additionality, permanence
- CDM dominated by China, India, Brazil
- Most trades are in industrial gases
- Co-benefits are important

Category	Examples	CDM	VCS
Afforestation/ Reforestation	<ul style="list-style-type: none"> ▪ Tree planting with or w/o harvesting on deforested land ▪ Agroforestry on deforested land ▪ Assigned natural regeneration on deforested land 	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p>Degraded prior to 1990</p>	<p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p>Degraded >10 years before project start</p>
Avoided Deforestation (REDD)	<ul style="list-style-type: none"> ▪ Reduction of degradation and deforestation ▪ Enrichment planting 		<p style="text-align: center;">√</p> <p style="text-align: center;">√</p>
Improved Forest Management	<ul style="list-style-type: none"> ▪ Conversion from commercial to sustainable timber harvesting ▪ Extending rotations of harvest ▪ Other treatments to restore forest value 		<p style="text-align: center;">√</p> <p style="text-align: center;">√</p> <p style="text-align: center;">√</p>

* Leslie Durschinger, Terra Global Capital LLC

Compliance (CDM) Carbon Market

- Only one forestry project so far (China)
- Previously heavily promoted by World Bank
- Currently seen as too slow, expensive and uncertain
- Price premium potential
- Programmatic approach still to be popularised
- No REDD facility yet
- Uncertainty after 2012

Voluntary Carbon Market

- Variety of standards
- ↓ complex, ↑ flexible
- ↑ Speed of processing
- ↓ Cost of access
- Suitable for smaller projects
- Fewer steps
- Less govt involvement
- Programmatic potential
- Prices ↓, but co-benefits potential
- Possible up-front payments
- ↓ post-2012 risk
- Recent quality ↑
- Single standard - multiple categories e.g. A/R + REDD

Carbon Co-benefits

- Some carbon standards have them included
- Climate, Community & Biodiversity Alliance (CCBA)
- FSC certification
- Wildlife Friendly
- Other ecosystem services are linked: ecotourism, water, biodiversity
- Uganda PES incubator

Ugandan Experiences

- FACE - restoration tree planting, Mt Elgon & Kibale Forest national parks with UWA
- Plan Vivo - Bushenyi smallholder scheme
- CDM – National Forestry Authority, Nile Basin Reforestation Project
- CarbonFix/CCBA – Kikonda plantation, Global Woods AG
- TIST - southwest Uganda smallscale tree planting
- CDM - Bukeleba Green Resources plantation

more Ugandan Experiences

- CDM/CCBA - Kachung northern Uganda, Green Resources
- VCS/CCBA - Sango Bay A/R and REDD
- VCS/CCBA – Mabira Forest A/R and REDD
- CDM? – Namwasa plantation, New Forests Co
- VCS/CCBA - national Sawlog Production Grant Scheme members A/R and REDD
- VCS/CCBA - Hoima Nature's Nurturers forest REDD
- Plan Vivo - additional sites

Opportunities for SPGS

- Programmatic working together (CDM or VCS)
- Pool the expenses of entering the market
- Attract external support
 - **FT/KG incubator**, Norwegian partners, Danish support
- Use CCBA and FSC to demonstrate quality and co-benefits
- Use local carbon market opportunities for early sales
- Develop local carbon technical capacity to ↓ costs
- Locally based verifiers
- Develop other PES potentials
- Biomass as biofuel & green charcoal

Conclusions

- Voluntary Carbon Standard & CCBA have clear market support
- Work on A/R and REDD together
- Programmatic approach offers advantages
- Other PES complements (e.g. eco-tourism, biodiversity, water) exist
- Develop local capabilities
- Be inspired - go for excellence - lets do it

Uganda Carbon Bureau =

- Source of honest advice and information
- Project development & finance services
- FT/KG PES carbon incubator *now live*
- Developing new forestry & REDD methodologies
- Carbon footprint & offset service
- Offset portfolio from local sources
- Energy carbon activities

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