1st Work Meeting of the Fair Deal Task Force

Theme 1: payments for ecological services for intact or high integrity forests

Concept Note

Date: 16 Dec, 2022
Time: 10:00-13:00 EST
Venue: Room TBD, Palais de Congrès de Montreal, 1001 Pl. Jean-Paul-Riopelle, Montréal
Virtual Participation: MS Teams link

The Issue:

The preservation and protection of the ecological functionality of the remaining "green lungs" of the world is crucial for meeting the Paris Agreement's 1.5°C climate target. **High integrity forests**[1] play a particularly crucial role for the regulation of our climate, the protection of our biodiversity. They provide an **extraordinary array of ecosystem services** such as carbon storage, biological diversity and the provision of non-timber forest products. Globally, high integrity tropical forests are estimated to **remove around 2.6 Gt CO2 per year**[2].

While only fragments of the forests of Southeast Asia remain intact, and the state of Amazonia is deteriorating dramatically, deforestation rates in the Congo Basin are still comparatively low and Central Africa remains one of the only regions in the world that absorbs more carbon than it emits with a Net Flux of 610 million tCo2). However, demographic and economic pressures are increasing and the signs of a large-scale sell-out of forests in the Congo Basin are increasingly evident.

The critical ecological and climate services provided by the standing and intact tropical forests **are not yet adequately considered in current climate finance set ups**. Over the past 12 years, only €2 billion of investment for international development cooperation in environmental and resource protection were channeled into the entire Congo Basin region. This amount does not render forest protection competitive against destructive land uses.

Most climate finance for forests, including finance channeled through carbon markets, is offered **based on the REDD+ logic**. The **conservation of high integrity forests** does not fit into this framework. This situation is leading to **frustration** in low-deforestation countries, which face increasing pressure and threats for their forests, many of them in the Congo Basin. To effectively protect high integrity forests, new approaches which economically value their ecosystem services are needed to make forest protection more economically viable than alternative land uses.

No such approaches are currently operational in the Congo Basin, and the countries do not possess sufficient steering and administrative capacities to absorb large funding streams. Lack of a coherent, continuous, standardised and internationally recognized regional data collection system, which captures present state and change data of forest, biodiversity

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[1] High integrity forests are determined by an algorithm applied to 300m pixels that combines forest extent, observed pressure from human activities, inferred pressure associated with edge effects, and anthropogenic changes in forest connectivity associated with forest loss. Areas with Forest Landscape Integrity Index values of > 9.6 are designated as high integrity forests.

[2] Rockström et al. (2021): We need biosphere stewardship that protects carbon sinks and builds resilience | PNAS

and water regime, as well as their drivers, is a further aggravating factor, as reliable data and a regional coherent monitoring system must be the foundation of a large-scale payment mechanism for ecological services.

Nonetheless**, acting fast is especially important as high integrity forests are declining** (12% between 2000 and 2020)[3], thereby releasing large amounts of CO2 back into the atmosphere[4]. Fragmentation, encroachment, and degradation further erode the ecosystem services that high integrity forests provide.

Current Approaches:

Approaches to fill this gap and address the issue of standing forests are being developed on various levels.

One such development has been led by the NGO Wildlife Conservation Society (WCS) together with Climate Focus and Systemiq. It **maps and monetizes the continuous CO2 absorption performance of intact / high integrity forests** by translating the total amount of CO2 absorbed by a high integrity forest area per year into tradable **High-Integrity Forest Removal (HIFOR) certificates**. These can be bought, held or traded both by private sector companies and donor governments with the aim of **unlocking a continuous stream of finance**.

A HIFOR unit is not a certificate of the classic REDD+ carbon market and therefore **cannot be used to offset emissions but rather to make a "contribution claim.** Proceeds can be used to finance protected areas, support IPLCs, strengthen governance, fight deforestation drivers or invested in sustainable development activities outside the HIFOR Crediting Area. According to UNEP[5], we will need to **quadruple investments** in nature-based solutions by 2050. This will not happen unless we **create new approaches to mobilize significant private funding**, such as HIFOR, based on which the **private sector** can get involved in a meaningful and effective way. **Demand for HIFOR units** can be expected from **donor governments** and **private sector companies alike.**

Beyond HIFOR, there are other possible approaches to realise payments for ecosystem services. One example is the Socio Bosque initiative active in Latin America, which disburses area-based economic incentives and applies a three-fold monitoring scheme of vegetation cover, legal and socio-economic factors.

Another approach are individual country pledges in support of large intact forest areas and protected areas, which remunerate directly or indirectly climate and biodiversity value via e.g. national trust funds / bilateral budgetary assistance and finance protection and development projects or National PES programmes.

The scalability of such approaches is a crucial factor when determining a viable way forward for the protection of intact / high-integrity forests. Numerous success factors may play a role, for example:

- The establishment of a firm and functional data basis and collection regime

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[3] Potapov et al. (2017): Intact Forest Landscapes (intactforests.org) Updated 2021 with 2020 data

[4] Maxwell et al. (2019): Degradation and forgone removals increase the carbon impact of intact forest loss by 626% | Science Advances

[5] State of Finance for Nature | UNEP - UN Environment Programme

- Thorough piloting of approaches
- Anchoring of approaches in host government strategies, national land use planning and fit them aside existing mechanisms
- Standardization of rules, procedures and (digital) tools
- Centralized information management
- Developing solutions for effective benefit sharing and reduction of transaction costs
- Creation of sufficient incentives for different user groups

Open Questions:

- What general principles should approaches respect?
- How can the lack of a usable data regime be addressed?
- What are the experiences from e.g. Latin America and Indonesia with evaluation indicators, measurement values and proxies as a basis for payments for ecological services?
- How can the monetary value be determined in a sufficiently accurate yet simple manner?
- What considerations determine a competitive pricing, that allows standing forests to be financially viable against alternative land uses?
- Which underlying conditions must be ensured for such mechanisms to be piloted, utilized and scaled successfully?
- How can the payment of ecological services of the Congo Basin forests be organised and put at disposal for their development objectives without losses to corruption? How can effective benefit sharing be realised?
- How should approaches for the protection of intact forests fit into or be distinct from existing frameworks and mechanisms (such as REDD+ and carbon credit markets)?

Objectives:

1. To establish a shared understanding of the issue of intact forest protection and its underlying principles
2. To scope approaches under development to address the issue, including current work on HIFOR
3. To agree on the open questions and work areas, which shall be addressed by this work group going forward
4. To agree on a work method and division of tasks among organizations/ task force members of this work group going forward

Schedule:

Time	Duration	Theme
10:00	15 mins	**Introduction** Overview of the aim and issue by the moderator and German CBFP facilitator, Christian Ruck

10:10	20 mins	**Overview of current work on HIFOR** concept. Discussion starter by GIZ
10:30	40 mins	**Open discussion** on principles for addressing the protection of intact / high integrity forests • What general principles should approaches respect? • How can the lack of a usable data regime be addressed? • What are the experiences from e.g. Latin America and Indonesia with evaluation indicators, measurement values and proxies as a basis for payments for ecological services? • How can the monetary value be determined in a sufficiently accurate yet simple manner? • What considerations determine a competitive pricing, that allows standing forests to be financially viable against alternative land uses? • Which underlying conditions must be ensured for such mechanisms to be piloted, utilized and scaled successfully?
11:10	40 mins	**Open discussion** on embedding finance for intact / high integrity forests within the landscape of already existing mechanisms and international cooperation at large • How can the payment of ecological services of the Congo Basin forests be organised and put at disposal for their development objectives without losses to corruption? How can effective benefit sharing be realised? • How should approaches for the protection of intact forests fit into or be distinct from existing frameworks and mechanisms (such as REDD+ and carbon credit markets)?
11:50	15 mins	***Coffee break***
12:05	30mins	**Recap of the discussion and key takeaways** This section will pursue a common definition of work areas during an interactive session
12:35	25 mins	**Task Division** Each partner will be asked to propose one or more work areas/open questions, which they are willing and able to lead work and coordination on within the task force working group
13:00	10 mins	**End**