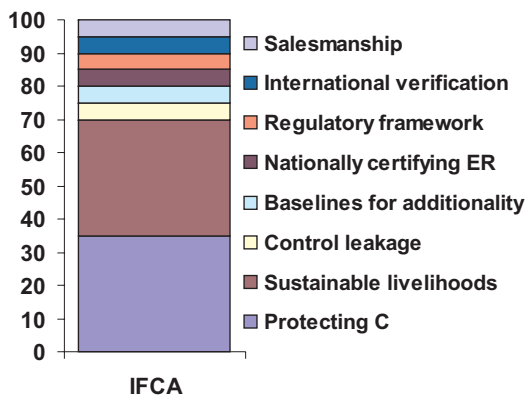


In the lead up to the 13th Conference of Parties of the UN Framework Convention on Climate Change (UNFCCC) in December 2007 in Bali, a group of national and international researchers in the Indonesian Forest Climate Alliance (IFCA) expressed the hope that 'transaction costs' (categories 3-8) could be kept at less than 1/3 of the value chain, and that the efforts would otherwise be split between direct emission reduction ('efficiency') and long term livelihood options ('fairness').



We are interested in compiling the results of similar discussions with different stakeholder groups, and would like to receive reports on FERVA exercises in different countries and contexts.

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FAIR & EFFICIENT REDD VALUE CHAINS ALLOCATION (FERVA)

Trees in Multi-Use Landscape in Southeast Asia (TUL-SEA)
A negotiation support toolbox for Integrated Natural Resource Management

Fairness and Efficiency in the Value chain for RED

REDD stands for 'Reducing Emissions from Deforestation and Degradation in Developing Countries' and details of how this can be done are currently under investigation. The EFFERVA method was designed to help in this process.

In reducing emissions from deforestation, peatland and forest degradation and other land use change in developing countries, a major challenge is how to combine efficiency and fairness. A middle ground and combination of policy instruments is needed to actually reduce emissions and also stimulate sustainable livelihood options and development pathways.

Fairness vs efficiency...

Key arguments for fairness:



Key arguments for efficiency:



Maximize emission reduction per \$ invested

Reward well-managed landscapes

| Typical arguments for 'fairness' | Typical arguments for 'efficiency' |
|---|---|
| 1. Moral imperative: those effectively guarding forests in their landscapes deserve rewards | 1. Maximize CO2 emission reduction per scarce dollar invested: focus on real threats only |
| 2. Poverty reduction as main Millennium Development Goal mandates a pro-poor approach | 2. Markets seek the 'right' = 'fair' price, if protected from mono polies |
| 3. Avoid perverse, emission-enhancing, incentives by rewarding forest destruction | 3. We need to show success in emission reduction to maintain public support |
| 4. Respect for traditional practices of local communities | 4. Use external experts for reliable information |



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Steps in FERVA

FERVA is based on 'focus group discussions' with different stakeholder groups. Details and examples have to be adjusted to local context.

1) In the introduction a basic explanation is provided of the climate change issue and of the role of 'greenhouse gases' (roughly 80% from fossil fuel use and 20% from loss of forest and peatland carbon stocks). Depending on the degree of exposure of the participants to 'carbon markets' and expectations of 'easy money', the audience may recognize itself in one of the various phases of the ignorance/hype/crash/reality cycle (Fig. 1). At this stage we do not know for whom the 'reality' phase will have negative, neutral or positive consequences.

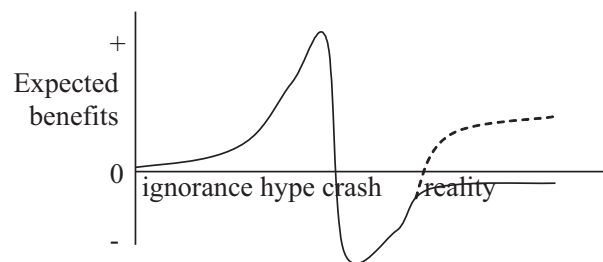


Figure 1. Schematic stages of expected benefits from 'new' topics and institutions

2) Adjusted to local context and availability of data on land use change, the discussion can then focus on opportunities of emission reduction in areas that have a track record of high emissions (e.g. Indonesia as a country compared to other forest countries, the province of Riau compared to other parts of Indonesia, active forest frontiers versus stable areas), and on the relevance of providing positive incentives for long term forest and peatland conservation. The group can be split into two groups and a 'debating club' format can be used to get the arguments for both 'efficiency' and 'fairness' across.

3) Next the concept of a 'value chain' can be introduced, using a local agricultural commodity (e.g. coffee, rubber or timber) and comparing the prices per unit weight (or volume) at farmgate, after processing and when bought by the end user. The different steps in the chain add value from the perspective of the end user, but the share they get in the net benefits may be out of proportion to the effort they put in.

In any application of mechanisms to reduce emissions we can distinguish at least 8 functions that need to be fulfilled before the 'end user' will be willing to buy a product in this case a unit of certified emission reduction (named 1 CREDD or otherwise). Depending on local context, the discussion can focus on which parts of this value chain already exist.

4) A major test on how the fairness + efficiency issue is handled is how the benefits (difference in price between legitimate opportunity costs for current CO2 emitters and the going price for certified emission reduction) will be shared along the value chain. In the 4th step of EFFERVA, we ask participants to allocate 100 units of value over the 8 steps of the value chain distinguished in step 3. This can be done by allocating 100 beans (pebbles or other items) over 8 bowls. We can ask to do this two times: first referring to what participants expect to happen (based on experience with other mechanisms), the second time referring to what they see as desirable.

Value-chain for reducing emissions from deforestation and degradation in developing countries and allocation of benefits along this chain

| | Current situation, reality | Desirable situation, hope | Difference |
|--|----------------------------|---------------------------|------------|
| 1. Actual emission reduction by guarding existing C-stocks and off-setting legitimate opportunity costs for options foregone voluntarily | | | |
| 2. Support sustainable livelihood pathways with less dependence on emission-causing land use | | | |
| 3. Guarding against leak age, by integrated natural resource management at local scale | | | |
| 4. Securing additionality by clear baselines as a result of spatial planning | | | |
| 5. Certifying credits for their 'Emission Reduction' (ER) by national standards | | | |
| 6. Setting up conducive regulatory framework for multi scale governance | | | |
| 7. Verifying ER by international standards | | | |
| 8. Salesmanship to secure buyers and provide investment when and where needed | | | |
| Total | 100 | 100 | |

Example of results

In a recent workshop with environmental NGO's and government agencies interested in developing forest conservation projects within the REDD domain, the following results were obtained:

