
Why incentives purely based on emission reductions will fail

Annette Freibauer

Max-Planck-Institute for Biogeochemistry

Early action is critical

- Deforestation and degradation are linked with inequity and institutional failures
- Deforestation and degradation are often not reversible
- Speed of action and ambition level decide how much of the existing forests will be left
- A well-designed REDD mechanism can co-benefit sustainable development

When immediate action is desired

- **A fast mechanism needs to be**
 - easy
 - pragmatic
- **Combine institutional support and support for emission reductions, payments upfront**
- **Pilot phase for learning by doing**
- **Flexible**
 - Allow for learning and corrections
 - Allow higher degrees of uncertainty in
 - Reference levels
 - Emission reductions
 - Monitoring
- **Therefore:
Decoupled from the C market in other sectors**

Address the drivers of DD

- **Region-specific patterns**
 - Agents of DD
 - Socio-economic drivers
 - Poverty/subsistence
 - Global markets for energy, food, timber.../industry
- **Country-specific patterns**
 - Governance
 - Social and cultural assets
 - Education
 - Activities of DD

Socio-economic drivers

- **Unsuitable indicators:**
 - Availability of forest resources (% forest cover)
 - Population growth
- **Risk indicators of DD:**
 - Low or negative human development
 - Declining GDP per capita
 - Unfair distribution of income
 - Unfair access to education

Governance

- **„Deforestation is a failure of markets“**
- **Deforestation is stimulated by**
Corruption, political instability, government ineffectiveness, lack of democracy, badly designed property rights, and restricted access to market
- **Governance is critical for stable long-term investments, e.g. in sustainable forest management**

Stability

- **Financial / incentives**
- **Institutional**
- **Legal**
- **Enforcement**
- **Monitoring**

Designing effective REDD incentives

- **Countries need to find their own appropriate ways to fight the causes of deforestation but require sustained incentives to keep up the national success of REDD.**
- **Enforce legal and institutional stability. Good governance and socio-economic development must be part of the whole incentive process.**

Financial and institutional incentives

Incentives purely based on emission reductions risk to treat symptoms rather than causes.

To be fast, successful and sustainable, REDD incentives need to support

- (1) Capacity building
- (2) Emission reductions from DD
- (3) Institution building
- (4) Policies and measures to improve governance, equity and social development