



Trends in the forest carbon market

ACP preparatory meeting for COP17
Brussels, November 15

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Climate finance an obligation



- The Convention lays out clear responsibilities in Article 4.3 for developed countries to provide financial resources for developing country mitigation and adaptation activities.
- Funding should be new and additional and pledged within the context of the UNFCCC.

Funds committed to REDD in 2010

Funds committed to REDD in 2010	Amount in million USD
European Commission	7
Belgium	10
Finland	3.5
France	120
Denmark	77
Luxembourg	1
Sweden	11
UK	300
Australia	146
Canada	40
Japan	223
Norway	380
Total	In excess of over 1.38 billion, as many countries don't specify climate funding for REDD

Fast start finance

➤ For REDD

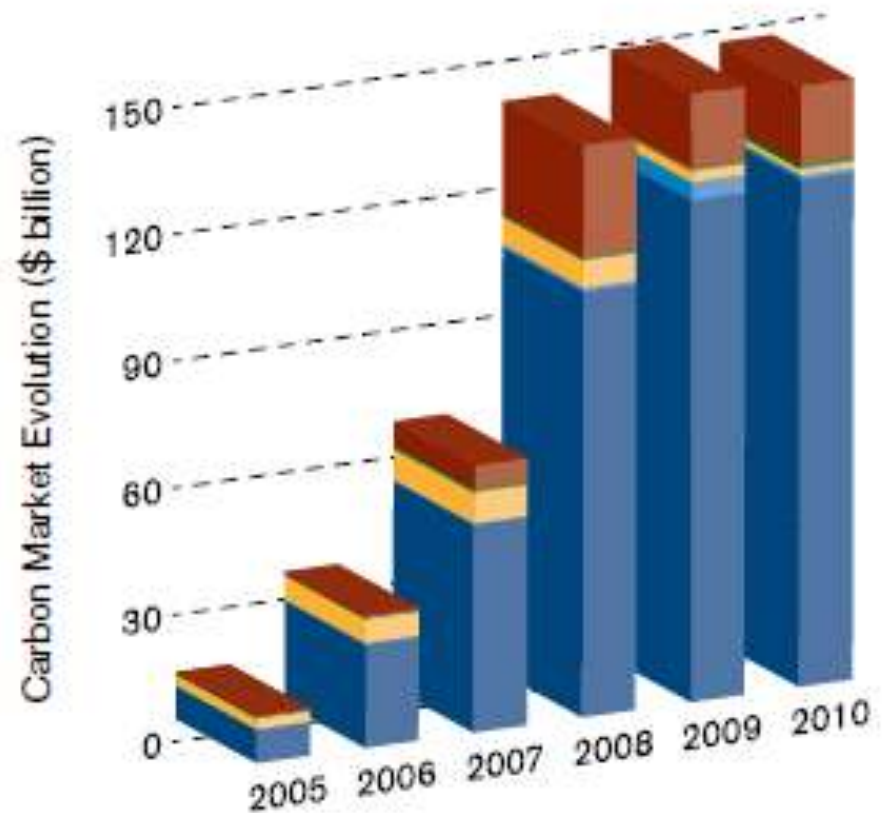
- Current pledges: **\$9.03 billion**
- Money received by developing countries is **\$0.8 billion**



- Addressing illegal logging would provide more than **US\$10 billion** annually – more than carbon trading would ever deliver.

Trends in the global carbon market

After five consecutive years of robust growth, the total value of the global carbon market stalled in 2010 at **\$142 billion**



The EU ETS is the global carbon market

- In 2010, trading in AAUs rose to **97%** of the global carbon market
- The value of the CDM market fell for the third year in a row
- The only demand for carbon credits is coming from the EU

...what does this mean for forests?

NO forest credits in the EU ETS until at least 2020

- Directive 2009/29/EC excludes forest credits from phase III of the EU ETS (until 2020)
- Hence, there is no demand for forest carbon credits

Voluntary vs. Compliance markets

- Compliance market

\$142 **billion** USD per year

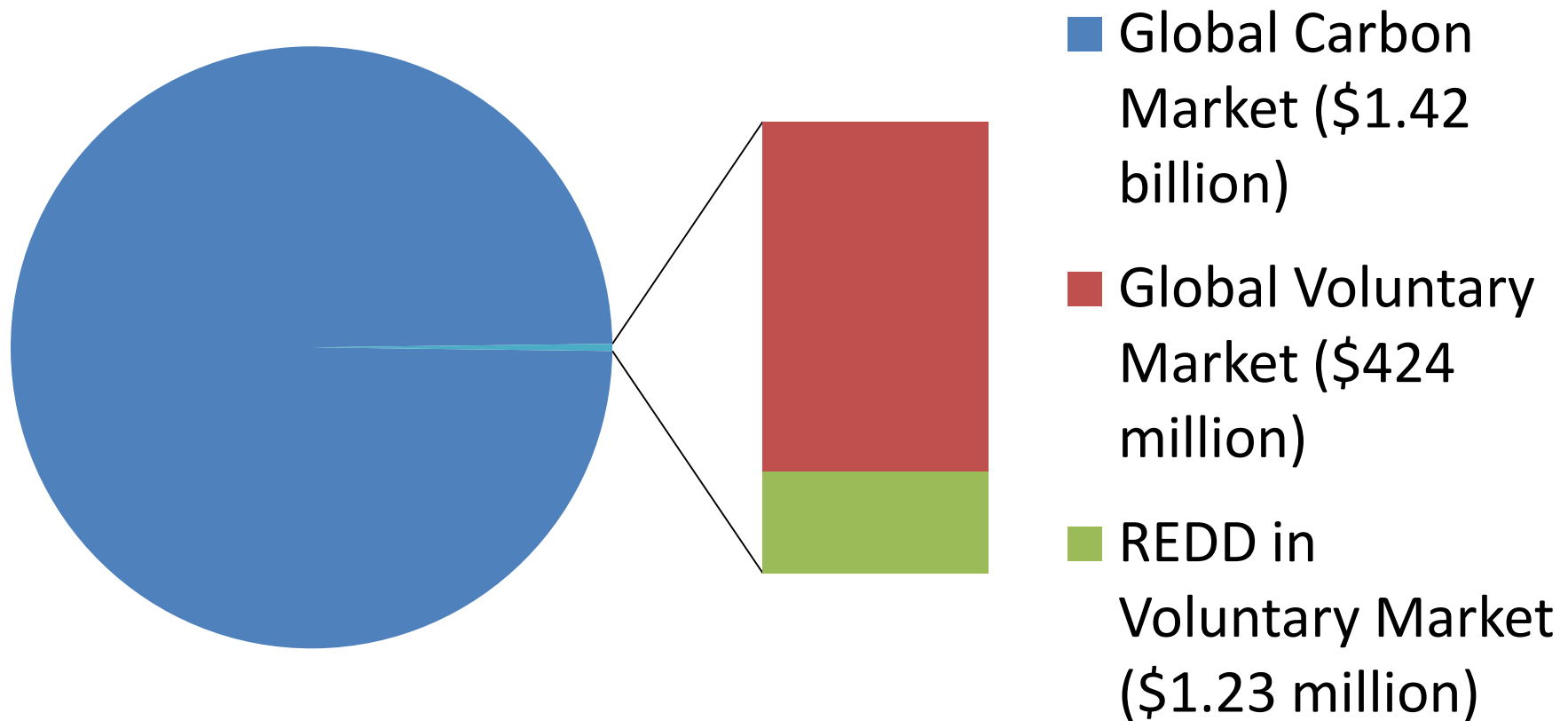
\$2 billion USD is finance for climate action



- Voluntary market

\$338 **million** USD per year

REDD in Global Carbon Markets





Innovative Finance Summary

- Financial Transactions Tax – \$650 billion/year
- Special Drawing Rights – \$250 billion/year
 - ~\$165 immediately available from 2009 release
- Maritime - \$4-9 billion/year
- Aviation Levy – \$9.5 billion/year
- US Fossil Fuel Subsidies - \$4-51billion USD/year



➤ **Redirecting Fossil Fuel Subsidies**

Rich countries currently spend between \$57 and \$100 billion each year propping up the fossil fuel industry.

- An IMF/World Bank 2011 report urged governments to remove subsidies for fossil fuels in the Annex II countries, which it said were worth about \$US40 billion to \$US60 billion a year in 2005-2010.

Next Steps and Recommendations

- Significant uncertainty about near and long term finance
- Scaled up innovative sources of finance
- Test alternate performance metrics and financing arrangements
- Scale up focus on drivers at local, national and global levels, ***with new investment strategies***