Australia’s Role in Reducing Regional Deforestation

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This policy brief details what role, if any, Australia should play in limiting the process of deforestation and forest degradation in neighboring “rainforest nations” – especially Indonesia and Papua New Guinea. Peter Kanowski looks at Australia’s participation in international forest processes as well as regional capacity building for more sustainable forest management, and analyses the reasons behind the Australian government’s shifting funding commitment to environment and natural resource management. He argues that Australia should take an active role in reducing deforestation in the Asia-Pacific region through supporting and developing the implementation of REDD+ (Reducing Emissions from Deforestation and Forest Degradation) as well as halting the importation of illegally-sourced timber into Australia by endorsing credible forest certification schemes. Colin Filer reviews Australia’s influence on forest policy in Papua New Guinea over the past two decades, highlighting various constraints, policy failures and an unassertive approach by the Australian government as key features. For these reasons he argues that, going forward, the Australian government should be aware of its limited capacity to influence natural resource management in PNG. Luca Taconi details the REDD+ initiative and examines how it can contribute to bringing in both significant funding and an overall reduction in emissions. He argues that Australia has played a leading global role in promoting the establishment of this new mechanism and should continue with its efforts to see it fully developed and eventually implemented, both globally and in the Asia-Pacific region.
About the authors

Peter Kanowski has been Professor of Forestry at ANU since 1995. Prior to joining ANU, he was a lecturer at Oxford University's Forestry Institute for seven years, and worked as a forest manager and researcher in Queensland. He is a member of the Steering Committee of The Forests Dialogue, and was a 2007 Forest and Wood Products Research and Development Corporation Denis Cullity Fellow. Peter was Head of the ANU Department of Forestry from 1996 until 2001; Head of the ANU School of Resources, Environment and Society from 2001 until 2007; and Deputy Director of the ANU Fenner School of Environment and Society from 2007 until 2008. His research, teaching interests and activities cover both forest and environmental policy, and forest genetics. His work in policy addresses a range of topics, including plantation and farm forestry, forest conservation and management, and forest policy processes.

Colin Filer is the Convenor of the Resource Management in Asia-Pacific Program at the Australian National University, a position he has held since 2001. He has a PhD in Social Anthropology from the University of Cambridge. He has taught at the Universities of Glasgow and Papua New Guinea, and was Projects Manager for the University of Papua New Guinea's consulting company from 1991 to 1994. After he left the University he joined the PNG National Research Institute and worked for five years as Head of the Social and Environmental Studies Division. His research interests are the social context, organisation and impact of policies, programs and projects in the mining, petroleum, forestry and conservation sectors, with particular reference to Papua New Guinea and other parts of Melanesia.

Luca Tacconi is Associate Professor in environmental governance and Director of the Environment and Development Program at the Crawford School. He is a Principal Investigator in two projects on REDD (Reducing Emissions from Deforestation and Forest Degradation) funded by the Australian Centre for International Agricultural Research (ACIAR), the Australian Research Council (ARC), and the Australian Agency for International Development (AusAID). His research is focused on improving knowledge about the theory and the management of natural resources in order to support policies and initiatives aimed at reducing rural poverty and conserving natural resources. He conducts rigorous, policy-oriented research that seeks to propose options for reducing negative changes in the environment and their impacts. His research has been supported by the European Union, the governments of Japan, Indonesia, the United States, Vanuatu and Australia as well as non-government organisations including the World Bank.
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My thesis is that Australia has a number of roles in reducing regional deforestation, and that it should be acting in all of these in a more coordinated and committed way.

1. International forest processes

Australia has been an active participant in most of the United Nations Forum on Forests (UNFF) and precursor processes, initiated after the Earth Summit failed to agree a legally-binding international forests instrument. Australia generally played an honest broker role between the larger blocs of interests, and successfully championed the regionally-focused approach to implementation of UNFF priorities in the face of dismal progress at the global level.

Most observers and participants would agree that the UNFF process has largely run its course, and been overtaken by the REDD+ (Reducing Emissions from Deforestation and Forest Degradation) focus under the United Nations Framework Convention on Climate Change (UNFCCC). The same could be said of the International Tropical Timber Organization (ITTO), in which Australia was once more actively engaged. Australia needs to remain actively and constructively engaged, as it has been in UNFF, in those international processes that have greatest implications for forests.

2. Regional capacity building for more sustainable forest management

A logical consequence of championing a regional approach at UNFF is that Australia should play an active role in supporting countries in the region build their capacity for more sustainable forest management. This has been the focus of much of the Australian Government investment in the region’s forest sector – eg the co-investment with the Food and Agriculture Organization (FAO) in developing Codes of Forest Practice and Reduced Impact Logging Guidelines, related work with ITTO, and the bilateral elements of the International Forest Carbon Initiative.

These initiatives generally address capacity within the forests sector; while there was a time in which most of the pressure on the region’s forests originated within the sector, and this is still the case in parts of the countries of the region, it is also increasingly the case that the drivers of deforestation are outside the sector, as the case of oil palm in both Indonesia and Papua New Guinea demonstrates vividly. Capacity building and other forest sector activities are obviously necessary but insufficient conditions for reducing regional deforestation and forest degradation.

It is also the case that recent Australian Government commitment to forest sector capacity building - as manifested in the Asia-Pacific Forestry Skills and Capacity Building Program, for example - could not be described as particularly whole-hearted or distinguished. Conversely, the Australian Government’s increased funding of scholarships and fellowships deserves commendation, although it is straining the forest-related training and supervisory resources of Australian educational institutions, whose capacity in this area has been diminished for (mostly) other reasons. Australia’s long-standing role in offering scholarships and graduate education to many of the region’s brightest students has provided the platform that has underpinned many constructive and productive political and professional relationships between Australia and countries of the region.

3. Level of funding commitment to environment & natural resource management

Australian Government development assistance funding for environment and natural resource management (including forests) sectors diminished over the past decade, reflecting a shift of priorities to accelerating economic growth, improving governance, education and health, and regional stability.¹

Environment and natural resource-related investment is now limited largely to activities associated with climate change, and to the modest (albeit important)

research funding managed by the Australian Centre for International Agricultural Research (ACIAR).

This appears to have occurred for a number of reasons, including the persistent challenges and consequent constraints to progress in the environment and natural resource management arenas, and the need for sustained commitment over longer time periods than political or bureaucratic expectations appear to now allow. As a result, Australia’s capacity to influence directions and developments in the environment and natural resource management sectors, including the forest sector, in countries of the region had diminished.

4. Importation of illegally-sourced forest products

Australia is a minor importer of forest products in global terms, but that should not have been an excuse for the protracted gestation of a national policy to address this issue. The contrast between Australian Government, most Australian forest sector stakeholder and Australian consumer disinterest and inaction on this issue is particularly paradoxical given the domestic preoccupation of the past 15 years with native forest conservation and sustainable forest management.

In addition to the legislation currently before Parliament, there are a range of voluntary measures, such as procurement policies, which the Australian and state governments should implement, and that major users of imported timbers should be encouraged to adopt. There is some force in the argument that such measures can simply undermine the incentive for sustainable forest management in favour of alternative land uses, and so renewed Australian commitment and resources to supporting sustainable forest management in the region is an essential corollary of policy measures to address the importation of illegally-sourced timber. Supporting the widespread implementation of credible forest certification schemes in the region would be a sensible means of focusing this investment and addressing the broader context of illegally-sourced forest products.

5. Regional deforestation in context – the strengths and limits of Australia’s role

The driving forces for deforestation and forest degradation in the countries of South East Asia and Oceania are well known, albeit still debated to varying extents, and reflect the broader political economy of each country as well as its development trajectory and endowment of forest and other resources.2 Some of these drivers, such as the financial returns from growing oil palm or from poorly-regulated forest harvesting, are common across much of the region. Others, such as the Indonesian state’s evident determination to exert its strategic and commercial interests over those of the Indigenous people of West Papua, are country-specific.

At the level of multilateral international agreements and initiatives, supporting the appropriate development and implementation of REDD+ should be the primary focus.3 Norway’s initiative in building the Norway-Indonesia REDD+ partnership, and in committing significant resource exploitation-derived funding to it, offer some timely examples to Australia (as well as a reminder of the challenges).4 Concurrently, for reasons noted above, Australia needs to explore, with others in the international community and each of the countries of the region, how the non-forest sector drivers of deforestation and forest degradation might be managed so that their impacts on forests are minimised. Appropriate strategies will differ between countries, but are likely to share common elements such as restricting conversion to truly degraded or deforested lands.5 Both these strands of activity will require renewed commitment to sustained investment, and to capacity building. Australia’s policy on the importation of illegally-harvested forest products should be broadly-based, and include adoption of procurement policies and support for forest certification.

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Some wag has defined football as a game in which 22 men kick a ball around for 90 minutes and Germany wins. The recent history of forest policy in Papua New Guinea could be defined as a game in which 90 stakeholders kick a ball around for 22 years and the logging industry wins.

The World Bank sucked the Australian government into this particular game in 1990, with the inauguration of the National Forestry and Conservation Action Program. Australia played in its preferred defensive position, kicking the ball up field with a variety of capacity building projects of dubious merit. But in 2005, the World Bank was given a red card by the Somare government. With their captain back in the dressing room, Australia and other players were left without a game plan.

Australia still wants to play in the bigger regional and global game which involves the management of tropical forests. The Howard government came up with two instruments for this purpose – one being a small stick and the other being a bigger carrot. In 2006 it proposed to ‘Bring Down the Axe on Illegal Logging’, and in 2007 it proposed to ‘lead the world’ with a Global Initiative on Forests and Climate. The Rudd and Gillard governments have retained both instruments, although the stick is still being designed by some hapless public servant, and the carrot assumed a new shape when its name was changed to the International Forests and Climate Initiative (IFCI).

When Kevin Rudd met Michael Somare at the Bali climate change conference at the end of 2007, it looked as if Australia was about to become a key partner in PNG’s bid to secure financial compensation from the international community for its efforts to reduce carbon emissions from deforestation and forest degradation. Reducing Emissions from Deforestation and Forest Degradation (REDD) was all the rage. The two men signed up to a PNG-Australia Forest Carbon Partnership (PNGAFCP) in March 2008, and the Garnaut Climate Change Review, published in the same year, saw PNG’s huge swathes of native forest as a great potential carbon offset for Australian polluters.

But alas, no goal has been scored since then. How so?

1. The amount of money allocated to the PNGAFCP ($3 million) was barely 1 percent of the total budget for the IFCI ($273 million). Half of this allocation seems to have been granted to a non-government organisation to prepare a concept paper on local village participation in REDD projects. The rest has been hidden under a stone.

2. The prospects of a bilateral partnership were seriously damaged in 2009, when journalists exposed a raft of dodgy dealings between Australian ‘carbon cowboys’ and PNG’s then Office of Climate Change and Environmental Sustainability. The PNG government has since taken a strong stand against voluntary carbon agreements and sub-national approaches to REDD, and placed the development of its own policies in the safe

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3. The Australian government was evidently keen to help its neighbour to build what the IFCI calls “carbon monitoring and accounting capacity.” But PNG’s American climate change ambassador, Kevin Conrad, was less than impressed with the Australian models on offer. There is no shortage of donors who would like to observe PNG’s changing forest landscape from a safe distance – namely through the eye of a satellite – and the Japanese government seems now to have won the battle to occupy this seat in the back row.3

4. The PNG government may have resisted Australian carbon accounting models in 2009 because they were seen as a device to give Australian companies a head start in the exploitation of PNG’s carbon offset capacities under an internationally agreed emissions trading scheme. Whether or not the Rudd government saw things that way, the political fallout from the Copenhagen debacle has removed PNG’s carbon offset capacities from the minds of everyone involved in the bilateral relationship apart from Ross Garnaut, who has a special interest.10

5. The PNG government’s doubts about the value of Australian technical assistance were confirmed by last year’s independent review of the Development Cooperation Treaty.11 The recommendation that Australia should henceforth focus its bilateral aid program on the improvement of health and education services in PNG does not leave much scope for further interventions in the field of natural resource management. This could make sense for the long-term fate of PNG forests, if the main motivation for local villagers to trade away their natural resources for beads and trinkets has been a desperate desire for basic social services, but it makes even more sense when one considers that the main aim of Australian foreign policy in PNG is to limit the incentives for Papua New Guineans to migrate to Australia.

But when it comes to the REDD business, the PNG government still has a problem with its own reputation. That is because it has engineered the alienation of more than 5 million hectares of customary land since 2003 – an area equivalent to the size of Costa Rica – and much if not most of this land contains native forests which are due to be cleared or degraded under the pretext of conversion to large-scale agriculture.12 This could be a cunning plan to persuade the international community that there is more ‘additionality’ available for investors in forest conservation or sustainable forest management, or it could be a poke in the eye. A diverse team of stakeholders is now playing in vocal opposition to this land grab, but the Australian government’s position (like that of the World Bank) is to press the standby button on the remote control.

Perhaps the PNG government will ask Australia to help reform the woeful system of land administration which has overseen the land grab; or perhaps not. If the request were made, Australia would surely fear to tread where it (and the World Bank) have trodden once before and got their feet burnt in the process. And in any case, the PNG government can claim with good reason that its ‘mobilisation’ of so much customary land for the worthy cause of rural economic development is precisely what the doctor ordered only three years ago.13 Australian and PNG government policies are therefore in perfect alignment, and both parties should now agree that REDD is rubbish. So the logging industry wins again.


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Australia’s role in supporting REDD+

Luca Tacconi

Australia has had a leading global role in promoting the establishment of a new mechanism to reduce emissions from deforestation and forest degradation and should continue with its efforts to see this mechanism fully developed and eventually implemented, both globally and in the Asia Pacific region.

What is REDD+ and who wants it?

Emissions from deforestation and forest degradation are the second largest source of anthropogenic CO2 emissions.1 The Copenhagen Accord and the outcomes of the work of the Ad Hoc Woking Group on long-term Cooperative Action (AWG-LCA) in Cancun are the foundations for the implementation of a mechanism for Reducing Emissions from Deforestation and Degradation (REDD), and for the enhancement of carbon stocks, conservation, and sustainable management of forests – with these latter activities included in the added ‘plus’ (REDD+) – in developing countries.

Papua New Guinea, with Costa Rica, initially proposed the establishment of such a mechanism in 2005, and most developing countries with forest resources support REDD+. Among developing countries, Indonesia has the largest number of demonstration projects that seek to provide lessons learnt about how to implement REDD at the local level. Australia was one of the first developed countries to provide significant diplomatic and funding support to the initiative, and it remains one of the leading funders of research and development work on REDD+.

As it could be expected, those in the business community who can see options for participation in, and profits from, REDD+ support it. Business interests who feel threatened by REDD+ oppose it (notable in our region are logging and oil palm companies). There is a similar split across the Non-Government Organisation (NGO) community. There are environmental NGOs who have started implementing carbon conservation projects aimed at conserving forests, biodiversity and carbon by selling carbon credits on the voluntary market. NGOs who oppose REDD+ fear it will lead to negative impacts on livelihoods (if forests are locked up from traditional uses and conversion to agriculture) and reduce developed countries’ commitment to reduce their own greenhouse gas emissions.

Is REDD+ worth spending money on?

There is significant debate on the costs of implementing REDD (rather than REDD+ which has not been subjected to similar analysis yet). Regional empirical models that assess the opportunity costs of REDD by estimating the foregone revenues from agriculture, logging etc, have returned relatively low estimates, with a global average just below US$3 per tonne of CO2-equivalent, whilst more complex economic models which account, among other issues, for price changes related to the extent to which deforestation is reduced, have generated estimates of average opportunity costs of about US$11 per tonne of CO2-equivalent.2 These estimates are only indicative as there is considerable uncertainty about the reliability of data and the assumptions used, and may not fully account for implementation costs. They show, however, that REDD could be competitive with other climate change mitigation policies.

The above estimates are relevant only in the case that REDD+ will be implemented through a ‘fund based approach’ in which developing countries would be compensated for reduced emissions through a fund set up with financial contributions by developed countries. This is being considered in the negotiations as an intermediate step to a model in which carbon credits from REDD+ would be traded on a (yet to be specified) carbon market. If the market model eventuates, the price of REDD+ carbon credits would not be strictly linked to opportunity costs – although it could be expected to be related to them – but it would be determined by the supply and demand for those credits. It is impossible to estimate at this point what the demand, supply and price will be because it is not clear yet what the regulatory framework determining the market will be.

REDD+ will result in significant funding and reduction in emissions only if the market model eventuates. This model basically involves the creation of a new commodity, REDD+ carbon credits. Eventually, they could be fully fungible with other carbon credits. This is

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one of the main reasons why many (but not all) logging and oil palm companies are running a scare campaign against REDD+: they will face new competition, whereas so far they have had an almost complete monopoly over the allocation of large tracts of tropical forests. Increased competition for the forest from a commodity which requires (if appropriately designed) forests to be conserved, sustainably managed or enhanced if degraded, could bring more revenues to developing countries, as well as environmental benefits. And a loss of revenues and clout for logging and oil palm companies.

Governance problems in developing countries have been noted as factors likely to limit the success of REDD+. Corruption can certainly affect REDD+ activities and it is behind many of the decisions about forests made by governments in developing countries. The logging industry has often been at the forefront of corrupt activities, with the best documented case being that of PNG through the Barnett Inquiry. Corruption is also facilitating illegal logging in many countries, including Indonesia, with negative environmental and economic effects. It is not surprising, therefore, that cases of (attempted) corruption in relation to carbon trading are surfacing. Corruption is present in many sectors, not just forestry and agriculture, and needs to be dealt with, rather than simply say that it is going to affect the performance of a sector.

What should Australia do?

Australia needs to build on its ongoing contribution to REDD+ by supporting efforts to develop a regulatory framework for a market for REDD+ carbon credits. This would benefit developing countries by allowing them to access greater financial resources as well as Australia, by contributing to a mitigate some of its emissions.

The development of a regulatory framework for a REDD+ market needs to consider the appropriate social safeguards to ensure that rural people are not negatively affected by REDD+, and preferably benefit from it. The safeguards should also be designed to allow REDD+ activities to be competitive with land use change activities. If safeguards considerably limit the competitiveness of REDD+, they leave rural people with a narrower set of choices, made up principally of activities that convert or degrade forests.

Policy at home needs to be consistent. Australia cannot support REDD+ while allowing the import of products that illegally deforest or degrade forests. Illegal logging is not just about illegal timber products (an important issues on its own), but also about ‘illegal emissions’ and negative impacts on governance in developing countries such as the Solomon Islands.

Australia provides considerable support to governance and law enforcement to neighbouring countries. The argument for that support is that it is important for the sake of the people in those countries to improve governance and make them safer in the face of, sometimes severe, threats to their well being. Aid aims to face a problem. The presence of governance problems in the forestry sector in the region is therefore a reason to support activities aimed at reducing illegal logging and implementing REDD+ rather than avoiding involvement.


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