Carbon Planet White Paper

The REDDiness Index

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Disclaimer

Carbon Planet ("CP") is a global carbon emissions management company, committed to ensuring that its services are carried out to best practice standards. This white paper has been prepared within the context of a new and rapidly emerging regulatory regime. This document has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information.

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What is Carbon Planet's REDDiness Index?

The Carbon Planet 'REDDiness Index' illustrates a country's preparedness to implement sustainable REDD projects combined with the chances of the successful outcome of a REDD project. This is based on a combination of factors that includes:

- the rate of deforestation
- government policy and planning and
- political stability.

This index draws on several resources that provide comprehensive empirical data on these topics.

What is REDD?

REDD is an acronym for "Reducing Emissions from Deforestation and Degradation."

The idea was formally introduced at the UNFCCC COP13 (Conference of the Parties, 13th Session).

Deforestation accounts for 18% of all carbon emissions. Approximately 96% of the emissions from deforestation are caused by the developing nations of the tropics.

Key Reasons for Deforestation

Some key human activities that promote deforestation include:

- Poor land use policies
- Inadequate legislation
- Insecure property rights
- Agriculture and logging
- Limited capacity to enforce forest protection.

Many developing nations of the tropics suffer from all the above. However, many of these nations are working to develop policies and a framework for REDD projects.

Given this, as the UNFCCC meets in Copenhagen for COP15, to formalise an international plan for REDD.

Calculating the REDDiness Index

The REDDiness index takes the following factors into account when determining the raking of the countries included:

- Absolute rate of deforestation per year
- Country risk classification as determined by the OECD
- Forest Carbon Partnership Facility (FCPF) membership.

Absolute rate of deforestation per year

The absolute rate of deforestation represents the potential for REDD projects within the countries of the REDDiness Index.

Country Risk Classification as determined by the OECD[1]

The risk assessment of the country represents the potential hindrance to the success of REDD projects within the countries of the REDDiness Index. The higher the risk of the country, the lower the chance of the success of the project.

Forest Carbon Partnership Facility (FCPF) membership

Countries that have been accepted into the FCPF demonstrate a willingness and preparedness of that country to engage in developing REDD projects.

The FCPF assists developing countries with capacity building and financing REDD projects.[2]

Carbon Planet has subjectively determined that REDD projects developed in countries that are members of the FCPF are twice as likely to succeed than those that are not.

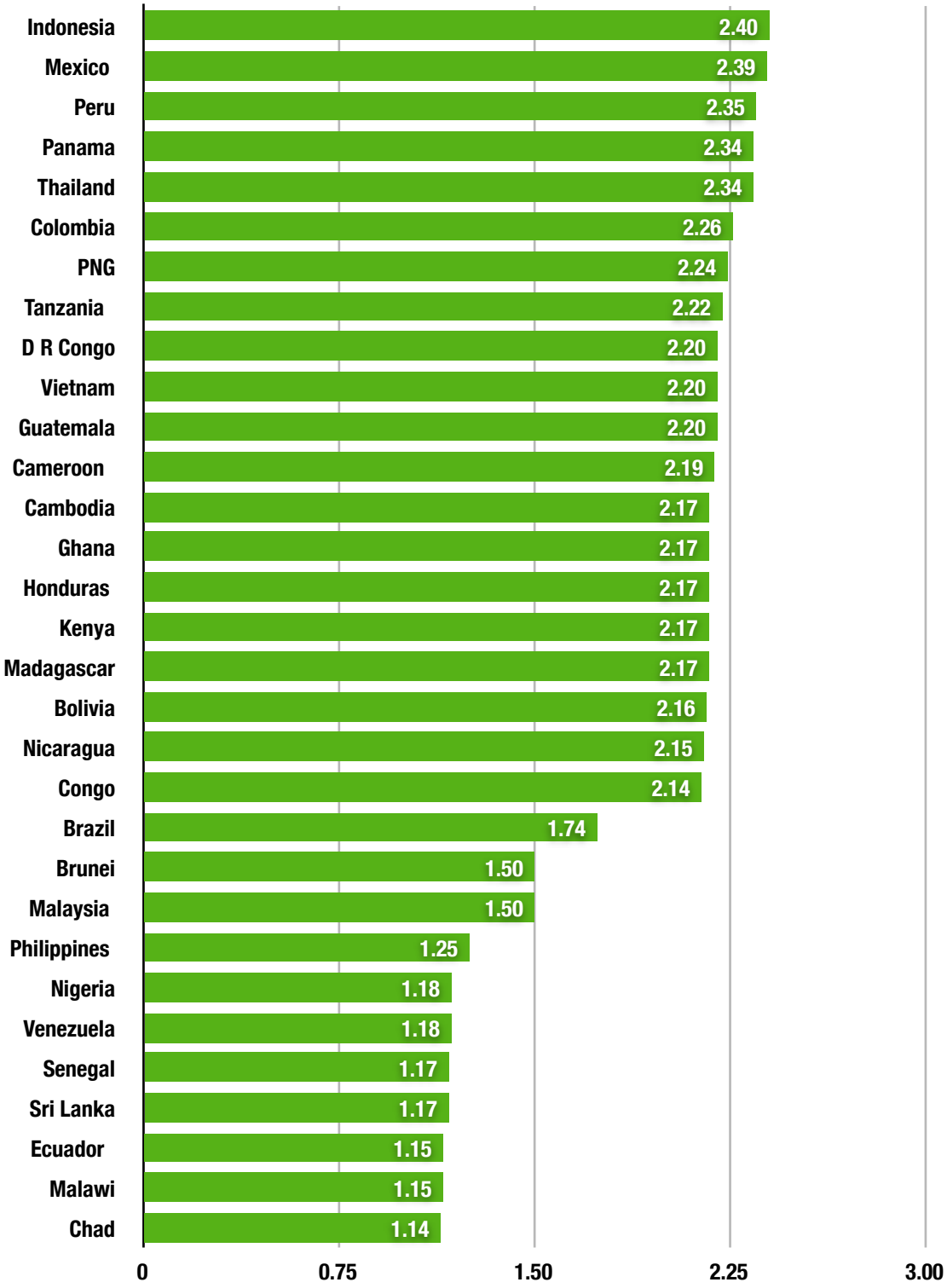
The REDDiness Equation

$$\frac{1}{\text{OECD Country Risk Clasification}} + \text{FCPC success factor} + \frac{\text{Absolute deforestation rate per year}}{\text{Total deforestation rate per year of all countries in the REDDiness index}} = \text{REDDiness Ranking}$$

[1] OECD Country Risk Classification web site

[2] The Forest Carbon Partnership Facility web site

The REDDiness Index



Conclusion

The REDDiness index demonstrates that despite the high rates of deforestation, and enormous forest sizes of countries like Brazil; countries such as Mexico, Indonesia, Thailand, Peru, Papua New Guinea and Panama are more “REDDy” to deliver REDD projects for the international compliance market.

Their greater relative REDDiness is due to demonstrated preparation such as the presentation and technical review of a comprehensive R-PIN to the FCFP as well as access to technical and financial support through the FCFP combined with relatively low country risk.

About Carbon Planet

A global full-spectrum carbon management company, Carbon Planet brings together scientific expertise, industry experience and business insights to deliver an integrated suite of carbon management services including:

Audit & Advisory

Greenhouse gas emissions assessment, energy reduction and carbon management services.

Carbon Commerce

Carbon origination and trading services. Global partnerships to identify, develop and commercialise quality carbon offsetting projects.

Carbon Planet Life

Inspiration, education and facilitation - for individuals and the community.

Operation Coolenation

Award winning global warming and climate change education program for primary schools.

Carbon Planet offers a full-service suite of carbon assessment and management services, advising the business community on the many ways to tackle new issues, overcome emerging challenges and plan an approach that will satisfy legislative requirements to unlock and open the door to economic opportunities.

From audit and advisory, education and training, carbon trading, carbon offsets and origination, to the full breadth of planning, implementation and commercialisation, Carbon Planet has the credentials, experience and expertise necessary to help you navigate the carbon economy.

Appendix A - About the inputs

Absolute Rate of Deforestation per year

The absolute rate of deforestation represents the potential for REDD projects within the countries of the REDDiness Index.

Forest size and Deforestation rates are relatively well documented. The Food and Agriculture Organization (FAO) of the United Nations has been monitoring the world's forests at 5 to 10 year intervals since 1946. The Global Forest Resources Assessments (FRA) are based on data that countries provide to FAO in response to a common questionnaire. FAO then compiles and analyses the information and presents the current status of the world's forest resources and their changes over time.[3]

When forest size and deforestation statistics are unavailable from the FRA, the information can be accessed from mongabay.com. Mongabay.com aims to raise interest in wildlife and wildlands while promoting awareness of environmental issues.[4]

Country Risk Classification as determined by the OECD[5]

The risk assessment of the country represents the potential hindrance to the success of REDD projects within the countries of the REDDiness Index. The higher the risk of the country, the lower the chance of the success of the project. The Organisation for Economic Cooperation and Development (OECD) publishes the Country Risk Classification.[6]

Whilst the Country Risk Classification Method measures a country's credit risk, i.e. the likelihood that a country will service its external debt, it may also be used as an indicator to suggest a country's ability to maintain other contracts and projects.

The classification of countries in the Country Risk Classification is achieved through the application of a methodology comprised of two basic components:

1. The Country Risk Assessment Model (CRAM), which produces a quantitative assessment of country credit risk, based on three groups of risk indicators (the payment experience of the Participants, the financial situation and the economic situation)

2. The qualitative assessment of the Model results, considered country-by-country to integrate political risk and/or other risk factors not taken (fully) into account by the Model.

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[3] Food and Agriculture Organization of the United Nations, 'Global Forest Resource Assessment' 2009

[4] Mongabay.com, 'Deforestation Stats', 2009

[5] OECD Country Risk Classification web page

[6] Organisation for Economics Co-operation and Development, 'Country Risk Classification'

Country Membership to the FCPF - Government REDDiness

The risk of running a project in a country is offset if there are clear government planning and policies in place as well as external support systems.

The Forest Carbon Partnership Facility (FCPF) assists developing countries with capacity building and financing for reducing emissions from deforestation and forest degradation (REDD).[7]

The FCPF was announced at COP13 in Bali in December 2007 and became operational in June 2008.

By participating in the scheme, countries are demonstrating that their governments have comprehensive planning and policy for REDD. Further, their participation in the scheme will provide financial and technical support for the countries' REDD efforts.

The FCPF has two objectives:

1. Building capacity for REDD in developing countries in tropical and subtropical regions and
2. Testing a program of performance-based incentive payments in some pilot countries, on a relatively small scale, to set the stage for a much larger system of positive incentives and financing flows in the future.

Two mechanisms have been set up to support these objectives:

1. The Readiness Mechanism
2. Carbon Finance Mechanism

The Readiness Mechanism

The FCPF, through provision of grants and technical support, is assisting countries to arrive at a credible estimate of their national forest carbon stocks and sources of forest emissions, work out their national reference scenarios for emissions from deforestation and forest degradation based on past emission rates for future emissions estimates, calculate opportunity costs of possible REDD interventions, adopt and complement national strategies for stemming deforestation and forest degradation, and design national monitoring, reporting and verification systems for REDD.

[7] The Forest Carbon Partnership Facility

The Carbon Finance Mechanism

It is expected that around five countries that will have made significant progress towards REDD readiness will also participate in the Carbon Finance Mechanism and receive financing from the Carbon Fund, through which the Facility will implement and evaluate pilot incentive programs for REDD based on a system of compensated reductions.

Actions of the Country Participants in the FCPF

All country participants have submitted to the FCPF the Readiness Plan Idea Note (R-Pin). This R-Pin document has two objectives:

1. To show an summary of country's interest in the FCPF program, and
2. To provide an summary of land use patterns, causes of deforestation, stake holder consultation process, and potential institutional arrangements in addressing REDD (Reducing Emissions from Deforestation and Forest degradation).

Some questions covered on the R-Pin are:

1. Which institutions are responsible in your country for:
   (a) forest monitoring and forest inventories?
   (b) forest law enforcement?
   (c) forestry and forest conservation?
2. Where do forest deforestation and forest degradation occur in your country, and how extensive are they? (i.e. location, type of forest ecosystem and number of hectares deforested per year, differences across land tenure (e.g., national forest land, private land, community forest, etc.))
3. Are there any estimates of greenhouse or carbon dioxide emissions from deforestation and forest degradation in your country?
4. Please describe what data are available for estimating deforestation and/or forest degradation. Are data published? Describe the major types of data, including by deforestation and forest degradation causes and regions if possible (e.g., area covered, resolution of maps or remote sensing data, date, etc.).

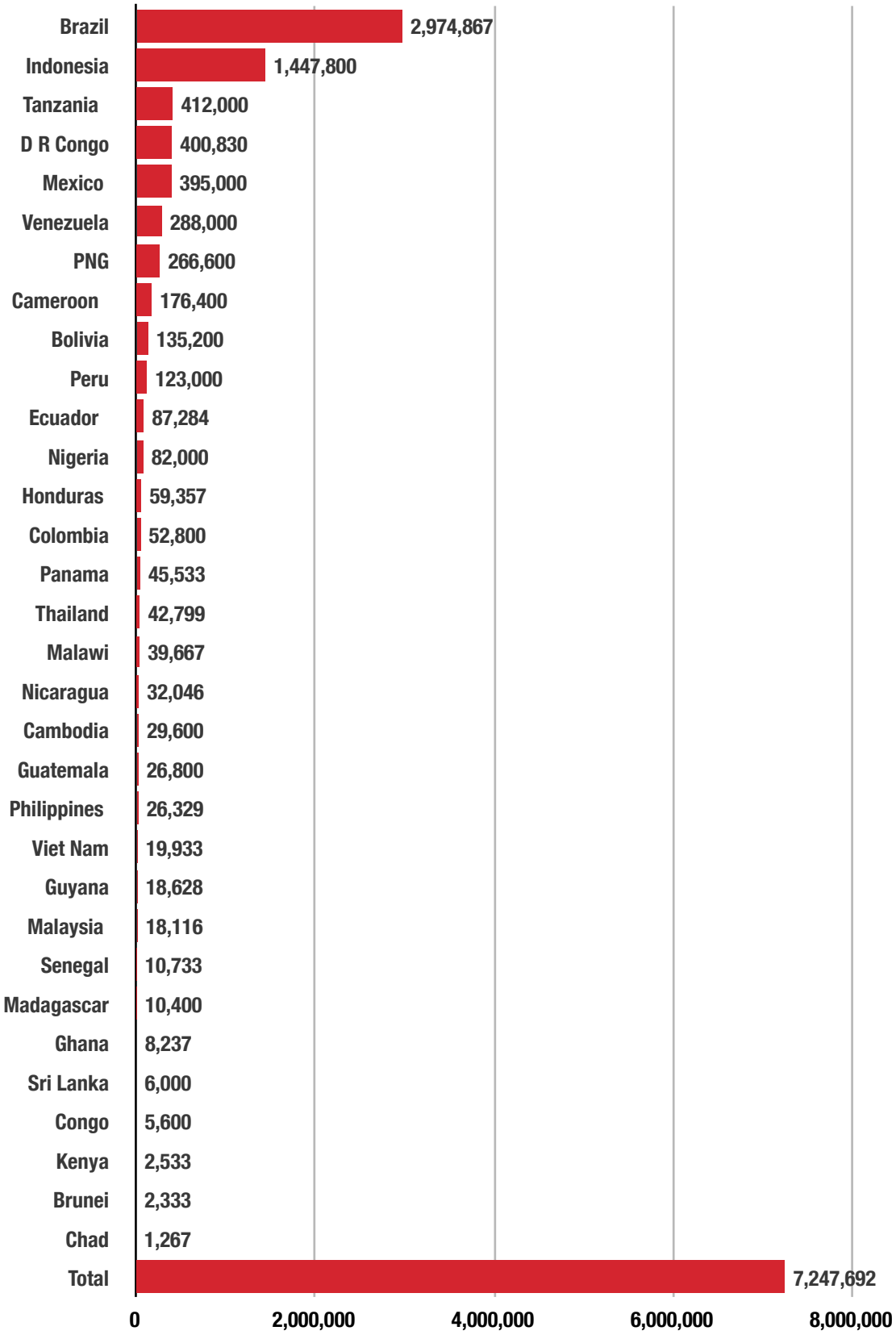
These R-Pins were reviewed by a Technical Advisory Panel (TAP) expert, and these reviews are also available on the FCPF website.

Once an R-Pin is accepted, FCPF members can receive grant support to develop a Readiness Plan (R-Plan) or Readiness Preparation Proposal (R-PP), which contains a detailed assessment of the drivers of deforestation and degradation, terms of reference for defining their emissions reference level based on past emission rates and future emissions estimates, establishing a monitoring, reporting and verification system for REDD, and adopting or complementing their national REDD strategy. A consultation plan is also part of the Readiness Plan.

These plans are assessed by a technical committee for entering in to Readiness Grant Agreements whereby the country would be able to access up to US$3.6 million to carry out the work provided for in their R-PPs.

FCPF membership is an important indicator of a country's 'REDDiness' of policy, stake holder engagement, preparedness and access to substantial technical and financial support.

Appendix B - Absolute Deforestation Rates per year from 1990 - 2005 (Ha)



Appendix C: OECD Country Risk Classification and Membership of the FCPF

Country	OECD Country Risk Classification	Is a member of the FCPF
Brazil	3	No
Indonesia	5	Yes
Tanzania	6	Yes
D R Congo	7	Yes
Mexico	3	Yes
Venezuela	7	No
PNG	5	Yes
Cameroon	6	Yes
Bolivia	7	Yes
Peru	3	Yes
Ecuador	7	No
Nigeria	6	No
Honduras	6	Yes
Colombia	4	Yes
Panama	3	Yes
Thailand	3	Yes
Malawi	7	No
Nicaragua	7	Yes
Cambodia	6	Yes
Guatemala	5	Yes
Philippines	4	No
Vietnam	5	Yes
Guyana	NA	Yes
Malaysia	2	No
Senegal	6	No
Madagascar	6	Yes
Ghana	6	Yes
Sri Lanka	6	No
Congo	7	Yes
Kenya	6	Yes
Brunei	2	No
Chad	7	No