

Comments during General Discussion Session on 29 January 2004

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Cost and benefit of CDM A/R project activities

The issue of transaction costs and the costs and benefits of CDM A/R project activities has been raised by many during the discussions today. I agree that the environmental benefits resulting from afforestation and reforestation CDM activities must be considered along with the business costs of implementing such project activities, as highlighted in the paper by Dr N Kobayashi (IGES). But what is a more important subject to consider now is the transaction costs of small scale A/R projects. Can small scale projects be made financially viable without them having to be reliant on ODA ? Can we internalize the values of other ecological goods and services into the value of carbon to make projects worthwhile and feasible ?

The social development models presented today, papers by Dr M Inoue (IGES) and Dr T P Singh (TERI, India) and the impacts of CDM activities, have gathered a lot of experience about community involvement and participation. What can be learned from these studies and the participatory approaches applied to lower transaction costs of community involvement ? How can we in the determination of rights of access to the trees and carbon lower the costs needed for social impact assessment ? What are the variables from the models/approaches used that will help lower costs ? Also, the community structures to manage small scale forestry projects presented in these papers will help ensure investors that the projects are viable and sustainable as well as ensure continuation of community participation even after the end of the CDM project activity.

The other area which we will need to look at is on innovative financing mechanisms and how to attract local investment in small scale projects. And how this will not result in the diversion of ODA for the implementation of CDM project activities.

Plantation activities, Criteria and Indicators for Biodiversity Conservation

On the one hand, there is a broad range of voluntary guidelines, procedures and environmental standards to facilitate the design and implementation of CDM A/R activities that will ensure environmental integrity, on the other hand, it was also argued that a minimum set of common international standards was necessary and be made mandatory. Environmental and social impacts are project-specific. In order to lower the costs of impacts assessment, it is important to maintain flexibility by allowing project developers and host countries to decide on the set of guidelines/standards best suited to the project activity and host country involved.

Particularly biodiversity assessment, it is site and project-specific and needs to be evaluated on a case-by-case basis at the local level. In the paper by Dr T Toma (CIFOR), I would agree with the conclusions of the CIFOR publications mentioned in his paper, that plantation activities could do much to conserve biodiversity if they abided by a set of guiding principles and problems of plantations are often site-specific. The C&I for Sustainable Development of Industrial Tropical

Tree Plantations by CIFOR is an example of a good, voluntary tool to apply to the design, implementation and monitoring of CDM projects.

A final point that is important for CDM A/R project activities is the question of additionality and the tests of additionality that must be applied. How do we separate business-as-usual tree planting activities in Asia, as examples given by M Kashio (FAO), from those activities that are truly additional and thus, qualify as CDM project activities ? This requires further thoughts !