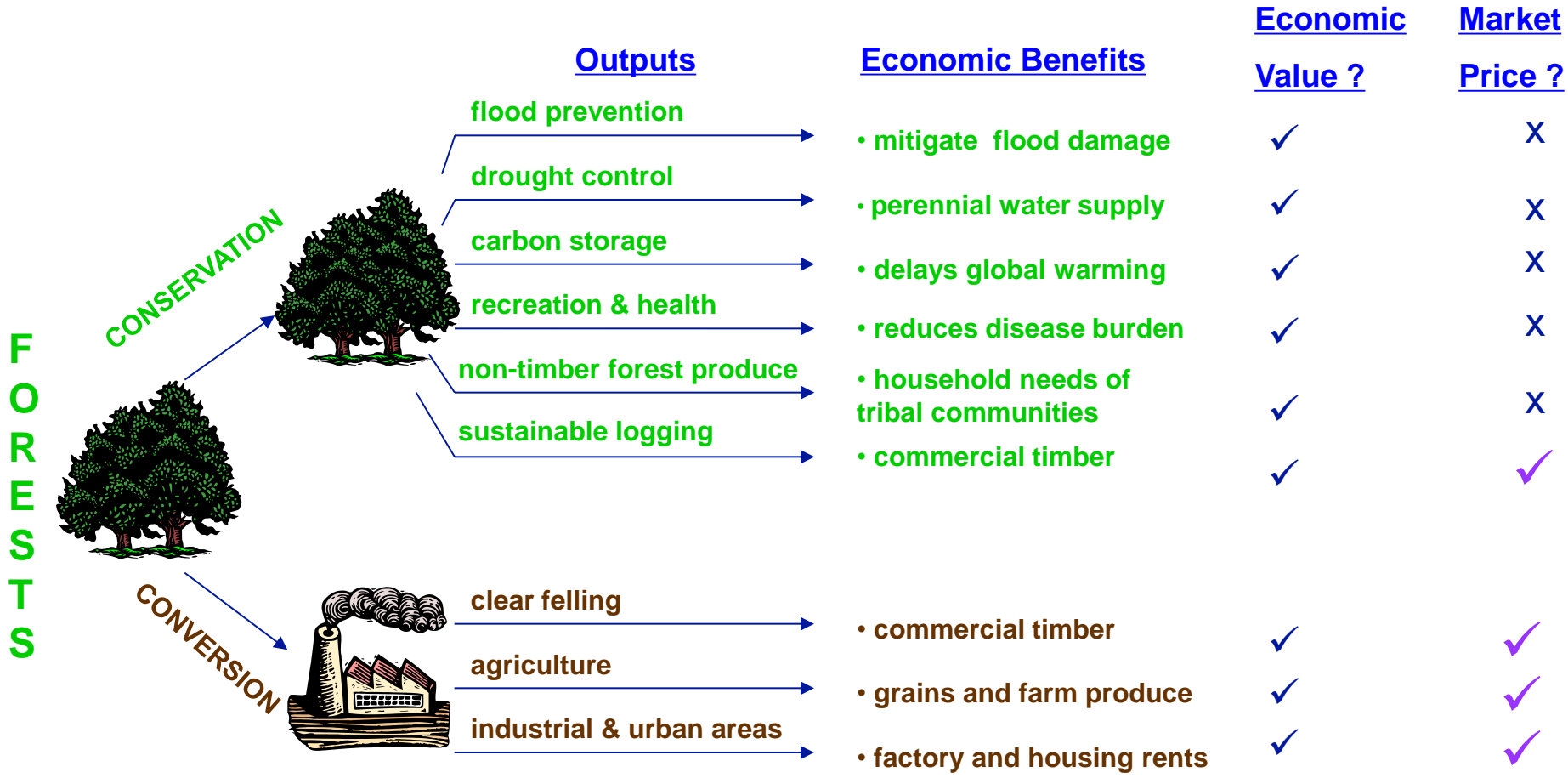


Forest Conservation vs Conversion:

Carbon Credits and Beyond

Pavan Sukhdev
Trustee, GIST
2006

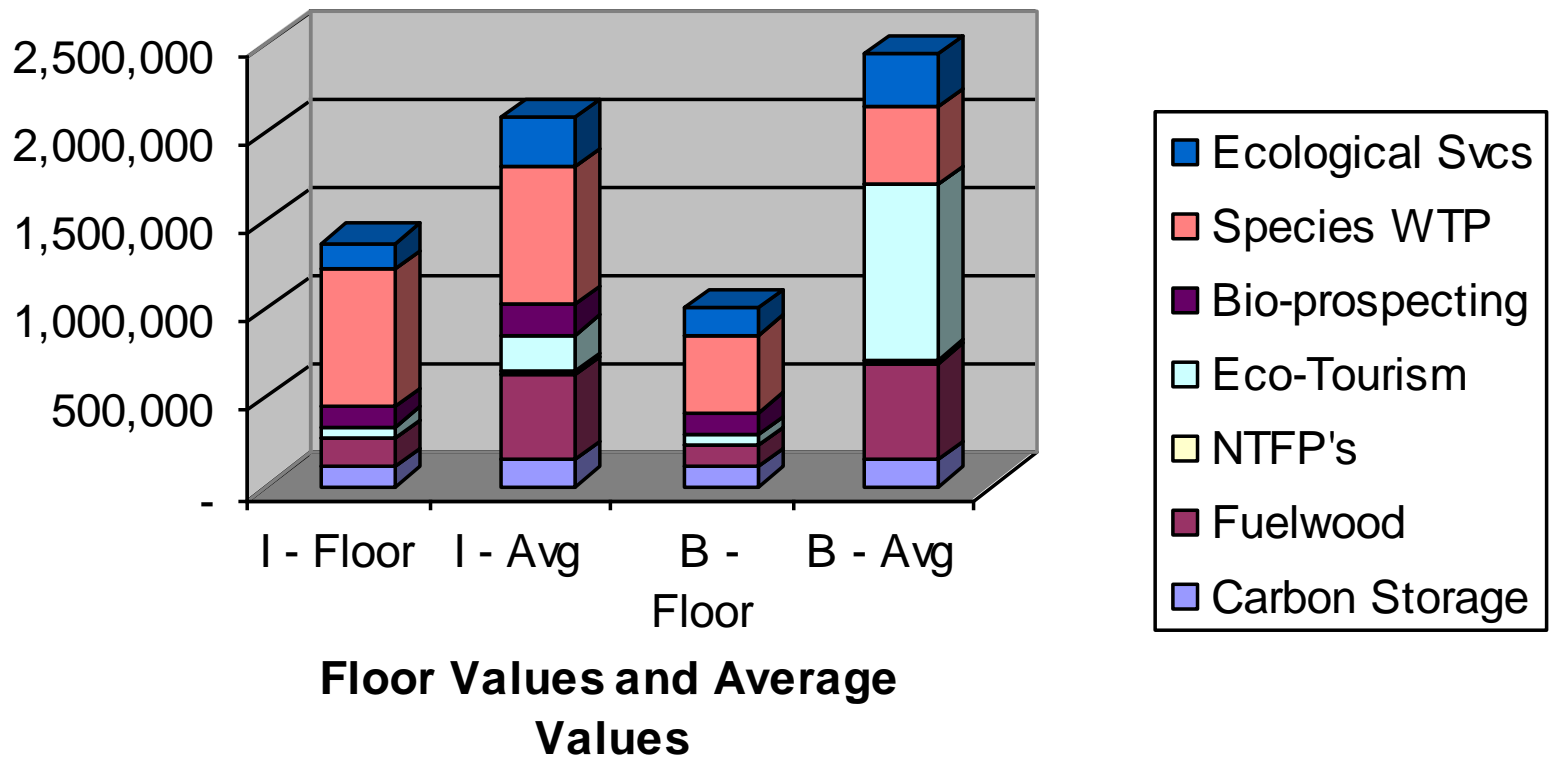
Forest Conservation vs Conversion : Why Conservation Loses...



- All conservation benefits of forests have **economic value** – they are WEALTH
- Most forest conservation benefits are **public** benefits – delivered by **checks & balances**
- Most forest conservation benefits have no **markets** – hence **no market pricing**
- In the absence of prices, checks and balances, **private greed destroys public wealth**

Valuation of the *Non-marketed Services* of Forests gives a totally different perspective on the Economics of “Conservation vs Conversion” Conservation wins

Conservation Values - India & Bandhavgarh



Deforestation in India

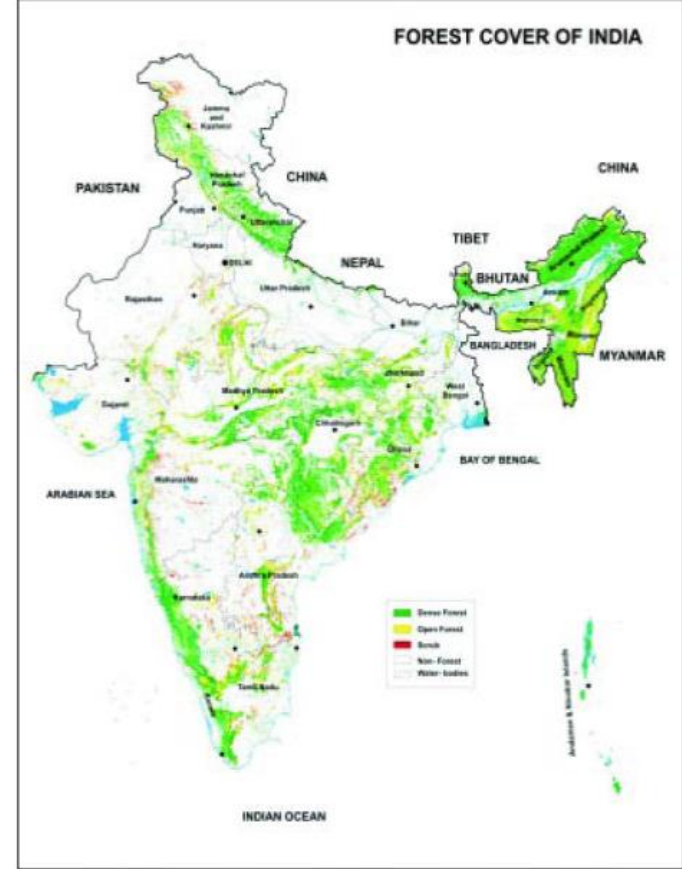
Massive Carbon Footprint

❑ Stern Review estimates deforestation causes 18% of GHG emissions, but these ratios are expected to be higher in Tropical, developing countries...

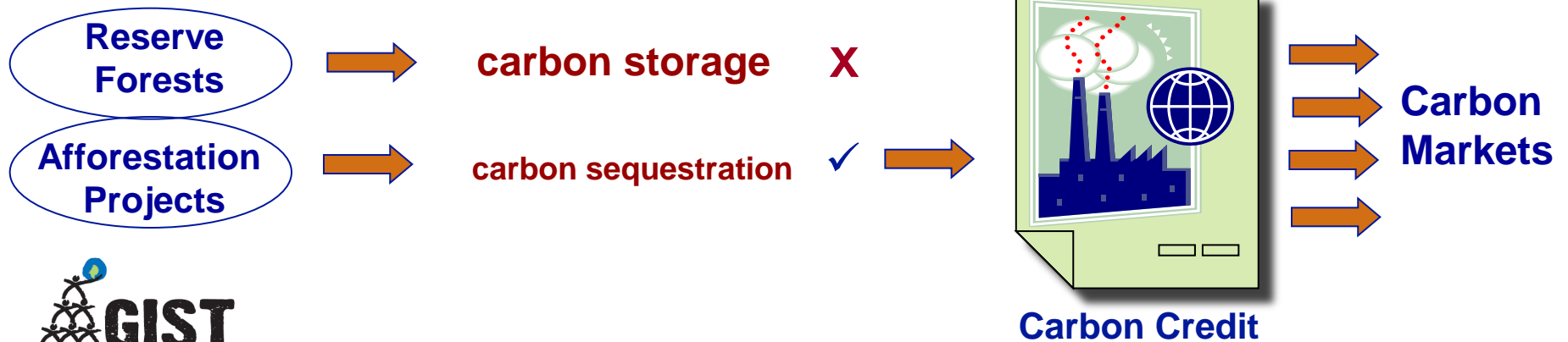
❑ ...such as India : estimated CO₂ released by deforestation (logging, shifting cultivation & encroachment) is 26% of GHG emissions (based on 2002-03 data)

❑ estimated emissions 433 Mt CO₂

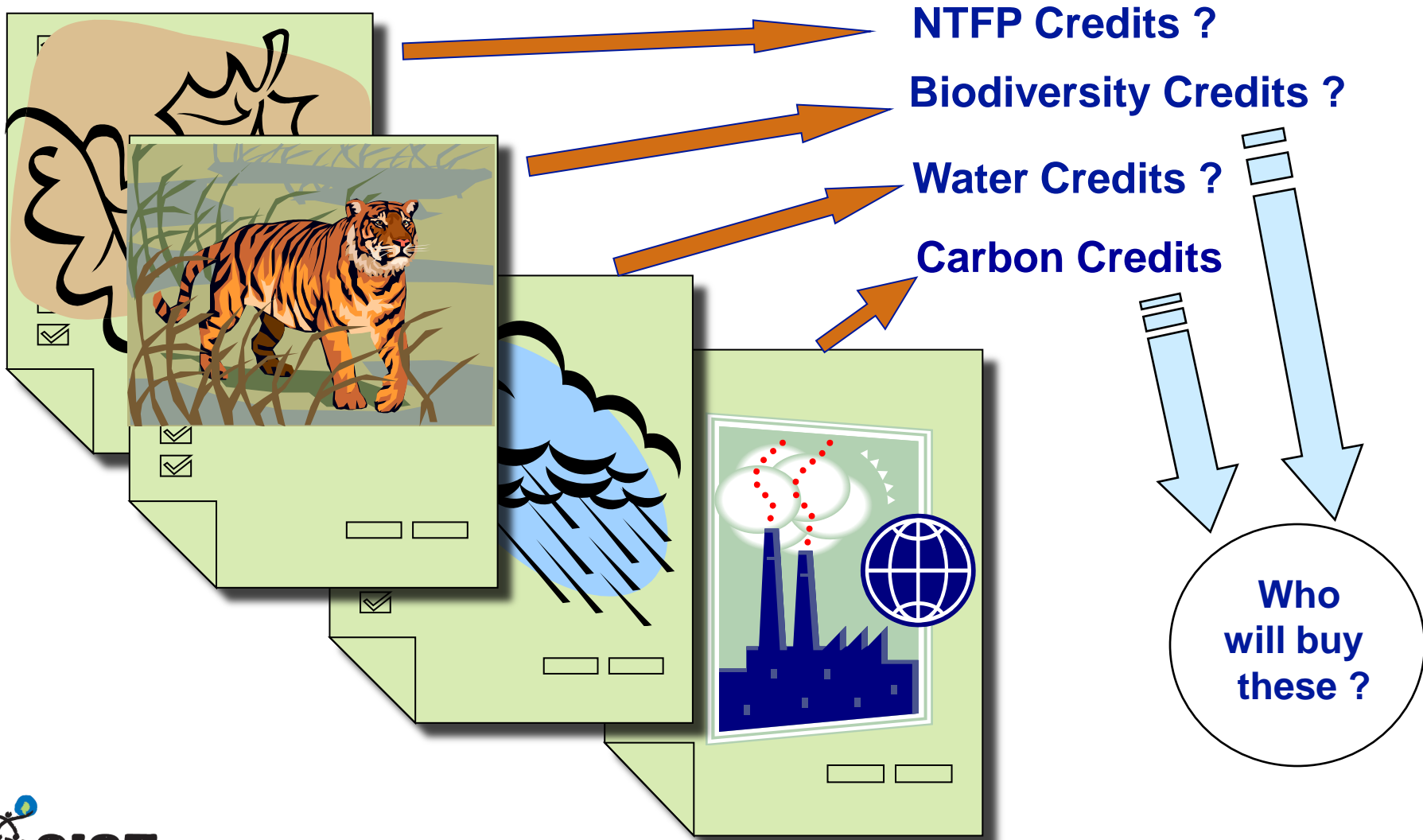
❑ in comparison : Power Sector (2005-06) had total emissions of 471 Mt CO₂



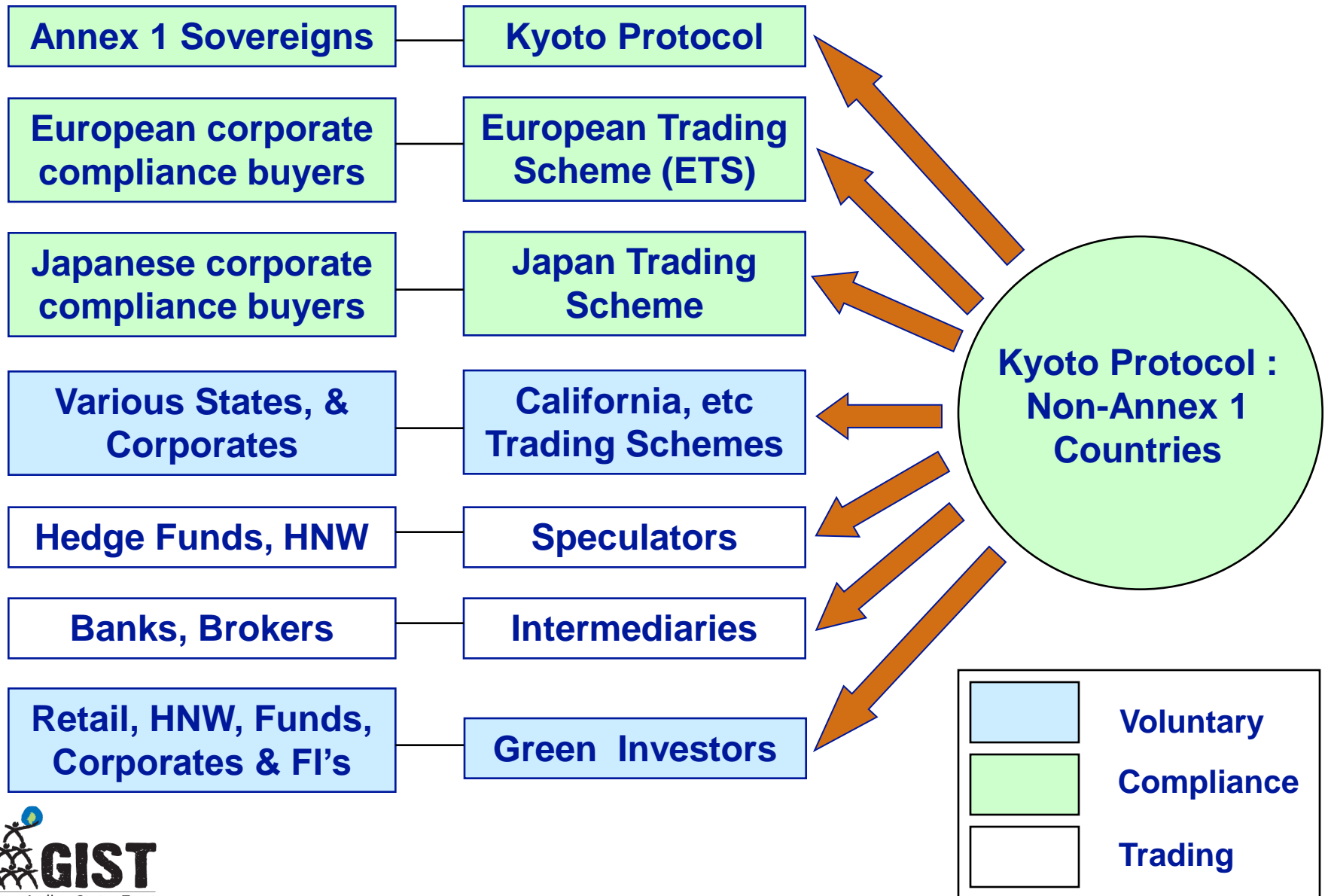
Source: FSI (2001)



Can we go Beyond Carbon Credits ? To “Conservation Credits” ?



Who Buys Carbon Credits ?



Who are the possible buyers for Conservation Credits ?

Existing Compliance Buyers ?

➤ Unlikely ... “Kyoto-2” would not cover Afforestation other than for Carbon Sequestration

New National Compliance Markets ?

➤ Possible ... but needs visionary leadership in some National government

Voluntary Corporate Governance Buyers ?

➤ Likely... Corporates would find this a powerful “CSR” model : “win-win” solution to tribal poverty *and* forest bio-diversity

Philanthropic Buyers ?

➤ Certain... HNW and Foundations are waiting for such a product ; small Euro-Indian “NGO-NGO” pilots have begun

A New Class of “Green Funds” ?

➤ Likely... but needs model ‘returns’ proven (forest land values : Kyoto-II storage, eco-tourism, estates, etc) & also needs marketing to end-investors

Thank You!