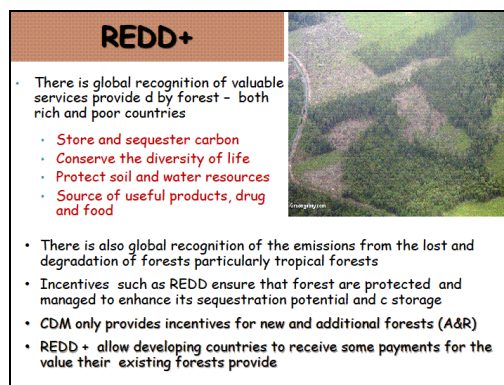


Reducing Forest Degradation and Emissions through Sustainable Forest Management (SFM) in Peninsular Malaysia

Samsudin Musa (Head of Climate Change Program, Forest Research Institute Malaysia)




There is now a global recognition of the valuable service provided by forests and these services are both for rich and poor countries. We recognize all these values of forests; forests store and sequester carbon, they conserve the diversity of life, they protect soil and water resources, and sources of useful products, drugs and food. These are values when forest are conserved and managed well.

There is also a global recognition that the emissions from the loss and degradation of forests, particularly tropical forests, so while these forests provide useful services, when they are not managed properly they emit carbon and it becomes a problem. Incentives such as REDD+ ensures that forests are protected and managed to enhance their sequestration potential and carbon storage.

Previously we had mechanisms such as CDM³³ which only provides incentives for new and additional forests (A&R), and we know many of the tropical countries were not involved in this CDM because of its stringent rules and regulations and now we have REDD+ which allows developing countries to receive some payments for the value of the existing forests, so it is a very exciting mechanism that we are all engaged in.


³³ Clean Development Mechanism: <http://cdmrulebook.org/970>



REDD

- ❑ Deforestation & degradation contributes to a 20% of global C emissions
- ❑ It is economic to reduce global emissions through REDD
- ❑ Thus the REDD mechanism formed to provide incentives to developing countries that are able to reduce emissions from forest
- ❑ Any reductions if C emissions from BAU is eligible for REDD financing
- ❑ Malaysia is interested in REDD+ as forestry is an important sector for economic and env. reasons
- ❑ REDD+ is a voluntary scheme
- ❑ Modalities are still being negotiated

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REDD+

REDD+ can take the following avenues:

- ❑ Reducing deforestation rates
- ❑ Reducing forest degradation occurs in permanent production forests (no land-use change)
- ❑ Strengthening of sustainable management role of toward forest resources, and
- ❑ Strengthening of the conservation role
- ❑ Enhancing carbon stock through restoration and rehabilitation

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Malaysia is interested in REDD+ because forestry is a very important economic sector in Malaysia. We have got about 19.5 million hectares of forests, which is about almost 58% to 60% of our country, and forestry is a very important economic sector and because of that REDD+ is important to us. REDD+, of course, is a voluntary scheme and the modalities are still being negotiated.

REDD+ can take a few forms; one is they are reducing deforestation rates which is fairly easy. It is easier to monitor deforestation rates, but forest degradation, are also occurring in permanent production forest, which is a bit more difficult. Then there is strengthening of Sustainable Forest Management (SFM), strengthening of conservation, and enhancing carbon stocks. These are the many areas that REDD can take its form.

Malaysia's involvement in REDD

- ❑ Malaysia is not part of the REDD partnership countries
- ❑ Almost all the ASEAN countries are in and thus have REDD+ projects with external funding and technical assistance
- ❑ Malaysia has started implementing REDD+
 1. Developing National REDD strategy > NRE
 2. Developing a monitoring system (MRV) for REDD > FRIM/FFPRI, etc
- ❑ Third project to start is this ITTO project
- ❑ Implementing REDD+ projects in Malaysia important to
 - Enhance awareness
 - Enhance readiness to implement REDD projects
 - Enhance capacity > learning by doing

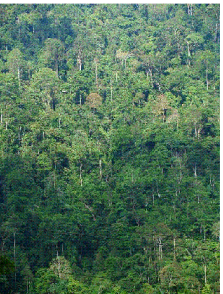
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Malaysia's involvement in REDD: Malaysia is not part of the REDD+ partnership³⁴ countries, so we consider ourselves still new in this area compared to our neighbors. Almost all the other ASEAN countries are in REDD+ partnership countries and have bilateral projects already underway, with external funding and technical assistance. Malaysia has started implementing REDD+ projects. We are developing our national strategy in our Ministry of Natural Resources and Environment. We are also involved in developing a monitoring system for REDD, which is a project we are collaborating with the FFPRI Japan; we are thankful for that. I understand there are

³⁴ A global platform for organizing action in order to enable effective, transparent and coordinated fast action on reducing greenhouse gas emissions from deforestation and forest degradation in developing countries: <http://reddpluspartnership.org/en/>

also some other projects together with Japan which is going to be underway. Now, this ITTO³⁵ Project that I am going to present today is the third project which is going to start very soon. Implementing a REDD+ Project in Malaysia is important to me, because it enhances awareness in REDD+. It enhances readiness to implement REDD projects. It enhances capacity, learning by doing.

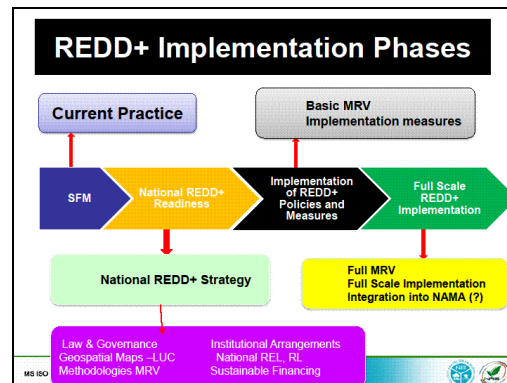
Implementing REDD+




REDD+ implementation in Malaysia will following a phased approach:

- ✓ Readiness phase
- ✓ Implementation of REDD+ policies and measures
- ✓ Full scale REDD+ implementation

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Implementing REDD+



Malaysia is currently developing her National REDD+ Strategy which will be provides analysis of the following component:

- National circumstances
- National baselines
- Monitoring, Reporting and Verification (MRV)
- Institutional arrangement
- Sustainable financing

➤ This ITTO project will compliment existing efforts

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We know that REDD+ implementation goes through certain phases. There is the readiness phase and the implementation phase and the full scale REDD Project. We are particularly at the readiness and the implementation phase of policies and measures.

Now we are going through our National REDD Readiness Phase where we are going to develop our national strategy and this will involve all these aspects. Then, we would like to go into the next phase which is the implantation of REDD+ policies and here we are going to develop our MRV. We are in the development scale right now. I think, hopefully, by the end of the year we will have our National REDD Strategy in place, and we will have some components of MRV in place as well.

In order to develop our national strategy, we look at the national circumstances and we are going to develop national baselines for deforestation and degradation. There is also the issue of MRV and institutional arrangements as well as sustainable financing. We would like to look at this project that we are implementing and is complementing these activities that are already ongoing in

³⁵ The International Tropical Timber Organization: <http://www.itto.int/>

Malaysia.

ITTO Project Summary		
EXECUTING AGENCY	FRIM	
COLLABORATING AGENCY	NRE, FDPM HQ, State FD	
DURATION	36 months	
APPROXIMATE STARTING DATE	February 2012	
BUDGET SOURCES OF FINANCE:	Source	Contribution in US\$
	ITTO	597, 002.00
	Government of Malaysia	238, 000.00
	Other sources	0.00
	TOTAL	835, 002.00

Project
<ul style="list-style-type: none">• Agreement has been signed by Malaysia and ITTO.• Project differs to existing projects as it focuses on degradation and is at the sub-national level > state• Allow us to assess if an FMU will be able to gain from REDD+• There are already interest by private companies to explore if states are interested to sell their carbon stocks through avoided deforestation eg Pahang & Kelantan• Malaysia investing quite a bit on SFM to reduce forest degradation > can we get incentives from REDD+• Improved management > reduce degradation > reduce CO2 emissions

This project is an ITTO-funded project. The executing agency will be the Forest Research Institute, which I am representing. There are also many collaborating agencies such as our Ministry, the Forestry Department Peninsular Malaysia, and the State Forestry Department where this project is going to be implemented. It is going to be implemented at the sub-national level. This is our first sub-national project that is going to be implemented. Its approximate starting date is February. We have signed the agreement already so it is about to start. We are going to have a stakeholder consultation soon and get our inception report out. ITTO is giving us about almost US \$600,000 to do this. There is also funding from the government of Malaysia which is about US \$238,000.

The project is focusing on the sub-national and state level. It allows us to assess if an FMU³⁶ will be able to gain from the REDD+ mechanism. Most of our projects, all of our forestland is basically owned by the states. We have very few forest areas owned by individuals, so it is very important to get the states engaged into REDD+. For them to become engaged, they would like to know how REDD+ is going to benefit them. There is already interest by private companies to explore if states are interested to sell their carbon stocks through avoided deforestation. There are already people who are approaching the state governments to find out if they are interested in selling the carbon.

Malaysia is investing quite a bit on Sustainable Forest Management to reduce forest degradation. Then, we would like to find out what more can we get out of REDD+. These are the questions normally raised by the states. They have already informed us that they have already invested quite a bit to implement Sustainable Forest Management practices and how much more should they invest for REDD, and will there be any additional incentives. Improving our forest management is a key area to reduce degradation and subsequently reduce carbon emission.


³⁶ Forest Management Units

Objectives

- General objective > to utilize Sustainable Forest Management (SFM) as a mitigation tool in combating climate change.
 - As deforestation rate is stable in Malaysia, the emissions to be accounted for REDD mechanism would probably come from the reduction of forest degradation
- Specific Objectives
 - To improve knowledge on reduction of forest degradation and enhance payments for ecosystem services

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Outputs and Activities



- Output 1: National forest degradation estimated**

Activities

- Assessment of forest degradation drivers
 - Stakeholder consultations
- Develop tools/guidelines to account, monitor and report forest degradation

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The general objective of this project is to utilize Sustainable Forest Management as a mitigation tool in combating climate change. We recognize that deforestation rate in Malaysia is quite stabilized, so the main emissions we accounted are from our degradation and we would like to look at how much this is. Specific objective is to improve knowledge on reduction of forest degradation and enhance payments for ecosystem services. In addition to carbon, we also look at the other ecosystem services and how payments can be made for them.

These are some of the outputs of this project. The first output is the national forest degradation estimated. We like to estimate how much degradation there is so that we are going to have an assessment of forest degradation drivers by undertaking stakeholder consultations. We are going to develop tools and guidelines to account, monitor, and report forest degradation, so this might be a bit straightforward for some countries, but for Malaysia, we reckon that most of our degradation will be occurring in production forest. Since we are working on a 30-year cycle, there is the question whether there is actually degradation or not in terms of carbon stocks³⁷. We recognize there are many forms of degradation. There might be changes in species composition, there might be changes in the structure of the forests, but when it comes to total carbon stocks we would like to find out how much degradation there is.

Outputs and Activities

- Output 2: Forest degradation reduced at the forest management unit**

Activities

- Forest degradation at the forest management unit assessed
 - Assessment made using remote sensing and ground inventories
- Methods for reducing forest degradation implemented
 - Improve harvesting prescriptions assessed > log fisher, RIL, Max volume control, protection of fruit trees, etc

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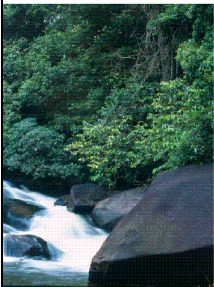
³⁷ The quantity of carbon contained in a “pool”, meaning a reservoir or system which has the capacity to accumulate or release carbon.

As the second output, we would like to have forest degradation reduced at the forest management unit, so we would like to find out what are the things that we can do to further reduce degradation. Assessment will be made using remote sensing and ground inventories and we would like to find out if we can implement methods for reducing forest degradation. Some of these might include changing our harvesting system that right now we are using the ground-based crawler tractor system, whether it is worth investing in a system we call “Log Fisher” which is a system available in Malaysia where we reduce the number of skid trails so that the machines will have to carry out long-distance skidding.

That will definitely reduce the number of skid trails and definitely increase the forest cover if you are able to implement it. The question is how much it is going to cost and whether it is going to be worth investing in it. There is reduced impact logging system, of course. Malaysia is already implementing reduced impact logging system, and we know that reduced impact logging system has got many components. Maybe there are other sub-components in reduced impact logging system which we can improve further.

There is also the maximum volume control which we had recently implemented. We are implementing a cutting limit approach in managing our production forest, but we are also implementing a maximum volume control where there is a certain volume limit of removing trees from our production forest, so that will reduce the total amount of timber being removed. There is also, additional improvements such as the protection of fruit trees within the production forest, so these will also enhance carbon stocks within and we would like to see how much that has been conducted.




Outputs and Activities



- **Output 3: Incentives for carbon and ecosystems services established**

Activities

- Assessment of cost and benefits of improving forest management and reducing degradation
- Develop a scheme for payment under REDD or PES (co benefits beside C)




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Outputs and Activities

- **Output 4: Capacity of major stakeholders and communities where relevant is strengthened**

Activities

- Developing awareness programmes amongst policy makers and forest managers
 - Particularly at the state level > workshops, consultations etc.
- Develop capacity in REDD+ and carbon accounting
 - Assessment of different C pools > training local and international
- Cross sharing of experience and knowledge with other REDD projects in the region
 - Visits and study tours to assess REDD+ projects

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Our third output will be the incentives for carbon and ecosystems services established. Here we would like to assess cost and benefits of improving forest management, how much is it going to cost to implement all those components that we would like to improve. We would also like to develop a scheme for payment under REDD. This is the payment for ecosystem service on top of benefits gained by enhancing carbon stock. There are also co-benefits of enhancing biodiversity, protection of soil and water resources and we would like to develop a scheme of payment for that as well.

Our last output will be capacity of major stakeholders and communities where relevant is

strengthened. This is mainly capacity building and developing awareness programs among policy makers, particularly at the state level, so probably it will be conducted through workshops and consultations. Develop capacity for REDD+ and carbon accounting. We would like to develop our carbon accounting approach. We would also like to enhance our cross sharing of experience and knowledge with other REDD projects within the region. We have heard already from Papua New Guinea and we recognize in the ASEAN country, Indonesia and Cambodia are already quite advanced in that and we would like to learn from their experience in conducting REDD projects.

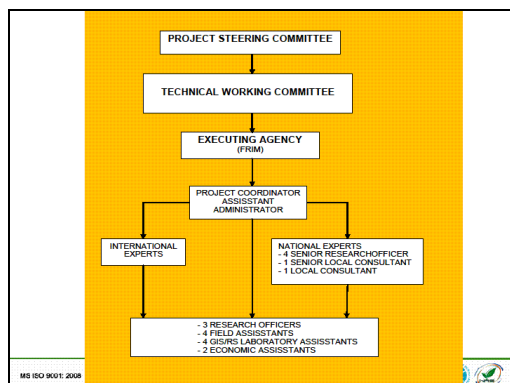
Implementation approaches and methods

- Major players > FRIM, NRE, FDHQ, Pahang State FD
- Project Steering Committee > governing body to ensure project implemented accordingly based on national circumstances > multi sectoral
- Technical Working Group – address technical aspects of the project
- Project Site > Pahang
 - forestry an important economic sector
 - Has orang asli/local communities
 - Large protected forests > national parks, watersheds etc
 - Various forest type> inland, peat and mangroves
- Initial efforts to communicate with state FD on the projects initiated

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Implementation approaches, there are major players. We have several players that are going to help us implement this project. We are going to establish a Project Steering Committee, which is the governing body to ensure project implemented accordingly based on national circumstances because we are going to take a multi-sectoral approach. We need this Project Steering Committee members involving the various sectors. We also have the Technical Working Group where we address technical aspects.

The project site we selected was the State of Pahang. It is the biggest state in Peninsula Malaysia. We chose this state because forestry is a very important economic sector. Within the state, it has got Orang Asli or the original people there as well our local communities. There are many issues there. We think that such a project implemented in Pahang will be useful. Also, there are various forest types in Pahang. There is the inland forest, and the peat swamp forest, and the mangroves forest, so this will represent all the various forest types. Initial efforts have already been conducted to communicate with the State Forestry Department where the project will be initiated and so far the state has been very positive in accepting this project.



This is the Project Steering Committee organization.

Some Concerns

- Core issues remains that could influence participation in REDD
- SFM in Malaysia > additionality in enhancement of carbon stocks
- Forest conservation > meeting additionality criteria
- Negotiations may take path of AR CDM > high transaction costs & low carbon value
- Excessive demand but insufficient REDD funds

Some Concerns ...

- Addressing safeguards > list of prescriptive requirements
- MRV > how elaborate
- Validation > third party?, review process
- Success of REDD depends on transactions costs and price of carbon under REDD+
- REDD+ > Need to balance between env. Integrity and practicality

Some concerns about this project raised by some of the stakeholders are that the core issues are still remaining that could influence participation in REDD by the state. SFM in Malaysia, we are already implementing SFM and there is the issue of additionality here. If we are already implementing a lot of the components, what more should we implement. In including Forest conservation aspect under REDD there is also the issue of meeting additionality criteria, how is this going to be addressed. Negotiating may take the path of AR CDM³⁸ and these are concerns by many of our stakeholders that the rules and regulations might be too difficult to implement and transaction costs may be too high, at the same time the value of carbon will be low, so making REDD also is becoming very unattractive.

Some concerns: Addressing safeguards. This is also a concern that safeguards becomes a list of prescriptive requirements. Right now, it is supposed to be at the level of providing information, but as the negotiation proceeds, we notice that more and more requirements are being included under safeguards. MRV: How elaborate is it going to be? Because it influences our transaction cost. Validation: Already there is going to be a third party evaluation process or review process. Success of REDD depends on transaction costs and price of carbon and as I indicated for the state to implement REDD+ projects, how much are they going to gain? That is a key question in ensuring success of REDD. We would like to see REDD being successful, but there are some

³⁸ Afforestation and Reforestation Clean Development Mechanism

issues that we are concerned. On the REDD+, there is a need to balance between environmental integrity and practicality. I think that a lot of the issues of trying to put in difficult or elaborate requirements are because of concerns for environmental integrity. But I think it needs to be balanced with the practicality because if it becomes too difficult then it becomes too difficult to implement and then it might not be successful.

Conclusion
<ul style="list-style-type: none"> • Project is exciting as it provides opportunities to enhance value of forests • It promotes SFM and supports Malaysia's commitment under the UNFCCC • Again REDD is voluntary > if benefits are not attractive > no need to be involved • Usually non-timber values – people ask show me the money. Under REDD real monetary payment • Project's success depends on the support of key stakeholders > FDHQ and State FD • Project implementation does not require mandatory changes to current state policies and forest management practices • Support and Active participation from the beginning

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In conclusion, we are already excited about the project. It provides opportunities to enhance the value of forests at the state level. It promotes the Sustainable Forest Management and supports Malaysia's commitment under the Convention. Of course, REDD is voluntary. We would like to think that it is going to benefit the state, but we are informing the state that if it is not beneficial then there is no need to be involved in the REDD.

Usually non-timber values, when we try to present projects, in addition to timber values there are also non-timber values and a lot of the time these non-timber values are difficult to assess in terms of monetary value, because we say we will enhance carbon stocks, we will enhance water resources, but the state does not see the money coming in. The question normally asked is, "Where is the money?" Under REDD, we think there is real monetary gain which we can gain, and the states will be interested.

Project's success depends on the involvement of key stakeholders that is the Forestry Department as well as the State. Project implementation does not require mandatory changes to current state policies. We do not think that there is going to be mandatory changes to state policies and forest management practices, but there are going to be refinement in the practices.