Panel Discussion: Challenges and Opportunities of REDD-plus,
Where We Are and What to Do now?

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Panel Discussion: Challenges and Opportunities of REDD-plus, Where We Are and What to Do now?

Moderator: Makoto Ehara (FFPRI)

Panelists: Frances Seymour (WRI)

Ruandha Agung Sugardiman (Ministry of Environment and Forestry, Indonesia)

Marieke Sandker (FAO)

Joaquim Armando Macuacua (Ministry of Land Environment and Rural Development, Mozambique)

Annalisa Savaresi (University of Stirling, U.K.)

Gerhard Dieterle (ITTO)

Satoshi Ikeda (Financial Services Agency)

Kiyoshi Okumura (IFC)

(Ehara) Today, the program started from 10 a.m. There were keynote speeches by Ms. Frances Seymour and Dr. Ruandha Agung Sugardiman under the themes of 'Why Forests? Why Now More Than Ever? An update on the science, economics, and politics of REDD+' and 'REDD+ Indonesia: From long history to a great opportunity.' In the afternoon in Session 1, there was a focus on monitoring and safeguards and other technical aspects of REDD+. We discussed how far REDD+ has come from a technical perspective and three presenters gave presentations on these topics. In Session 2, there was a discussion on finance and policy for REDD+, again, with presentations from three speakers.

The ultimate goal of REDD+ obviously, is to mitigate climate change at a global level but when thinking of how to do that, we wanted to make this seminar at a place where we could get detailed information as well as general information understandable by layman, so we invited experts from around the world to give reports. Up to now, many of us have gained a lot of new information and insight. It was so intense and very exciting and also very challenging, but some of the contents were quite detailed and specialized so I wonder if I am fully understanding what was said.

In this final session, we would like to sort out what has been explained so far. We would like to step back from a bird eye's view and think about what needs to be done to achieve REDD+'s ultimate goal of

addressing climate change. We would like to sort out our thoughts on this. We have titled this panel discussion as 'Challenges and opportunities of REDD+: Where we are and what to do now.' As you know, the phased approach has been taken in REDD+. Phase one is readiness, phase two is a trial phase, and once readiness was adequate, we would go to the full-fledged implementation. There are a number of developing countries that have already been and are moving into the third implementation phase.

Today, in order to facilitate the panel discussion, we would like to focus on three main questions. These may be overly broad topics, but these questions have been raised in order to discuss about our opportunities and challenges.   The first question is: 'Towards the full implementation stage of REDD+, what are the technological challenges left?'   A part of that has already mentioned by the three panelists in the earlier session as well as the keynote speeches but let us sort that out again.   If we understand the challenges, it is good to also think how to resolve these challenges.   If possible, I would appreciate comments on how to address that identified challenges.   The second question is: 'What are policy challenges left?'   We talked about policy and finance aspects a while ago in the second session and we would like to think about how to resolve the challenges.   Thirdly, as of 2019, what sort of specific opportunities have come into view?   After confirming those opportunities, let us think how we can make use of them.   I would appreciate the panelists' opinions on this topic.

What are technological challenges left?

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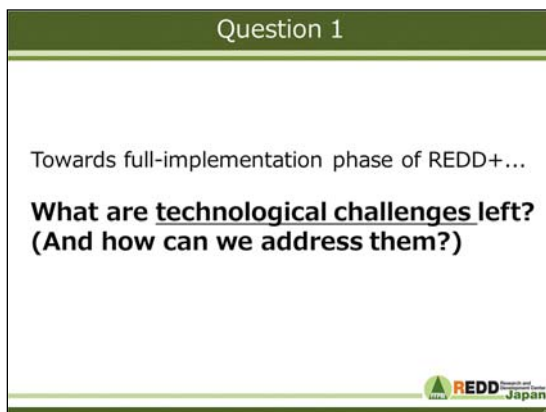
(Ehara) Let us get started right away with the first question. What sort of technical challenges remain?
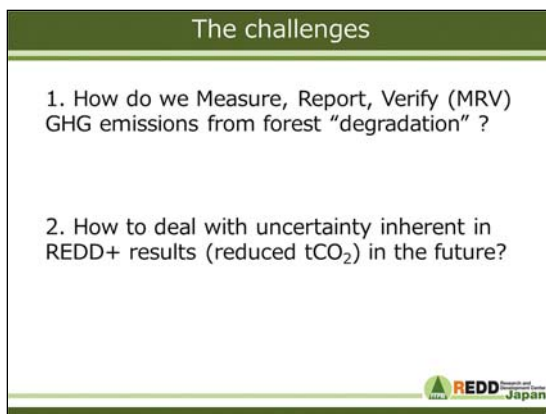
At FFPRI, we raised several issues we think that are still remaining. There are two big challenges. First, we need to know how to measure, report, and verify GHG emissions from forest degradation. Secondly, the reduced CO_2 emissions, or REDD+ results in the future have inherent uncertainties and how are we going to address these issues? If we have other fundamental issues that are not solved, we would like to discuss those issues also as time allows.

Let us focus on the first challenge. According to the FAO, 75% of forested areas have been degraded. From 2000 to 2012, as much as 185 million hectares of forest have been degraded in the world, which is greater than the amount of deforestation in that time. Emissions of GHG from deforestation are relatively easy to measure, report, and verify. As Dr. Sandker said, stratified sampling and systematic sampling can be used to do MRV for deforestation, and progress is being made in this area, but in the case of degradation, what is the situation? There was a discussion about MRV of forest degradation by Dr. Sandker, Dr. Sugardiman, as well as Mr. Macuacua to some extent, but let us think about this again from a more general perspective.

I have a question to Dr. Sandker. In order to measure, report, and verify emissions of GHG from forest degradation, what challenges need to be overcome from a technical perspective? Could you summarize the main points about this?

(Sandker)   First of all, it is important that the countries have an idea of what is the cause of degradation because they they this may have an impact on how you assess it.   For example, a landscape fragmentation approach might be a good way to assess degradation, but it really does depend on what your degradation looks like.   If it is more pointwise degradation inside the forest, then that might actually not help.   We also need to consider the country capacity because we could come with very high tech solutions but the countries need to be able to integrate it as part of their national forest monitoring system.   They need to be able to measure and monitor degradation consistently over time.

One solution that seems particularly promising for assessing degradation with reasonable accuracy is dense time series such as BFAST.   BFAST, for example, is integrated in the open source cloud platform SEPAL, which FAO is developing. The platform allows countries to share innovative solutions among each other: If one country applies this dense time series algorithm, the same algorithm can be applied in a different country.   This is an excellent way of some South-South sharing of experiences.   I think particularly there is a lot of opportunity in improving the assessment of degradation.

Another thing countries can do is make use of the Global Forest Change product, or the so-called Hansen data.   It cannot be used off the shelf but countries can use it as an input for their monitoring system.   First, countries have to filter out what part of the tree cover would correspond to their forest definition, and accordingly what part of tree cover loss would correspond to deforestation. Tree cover loss in land which remains above the cover threshold in the forest definition could then be considered degradation.   Again, countries would have to do an assessment of the quality of the product, but all of these products can help the countries towards assessing emissions from degradation.

(Ehara)   What is the dense time series that you mentioned?

(Sandker)   Dense time series simply means that you follow a pixel over time, and you start to see a pattern. For example you can see that the pixel will change with seasonality, and you run a model on it to understand what normal change in behavior of that pixel is, for example shedding leaves in the dry season, and when there is really an abnormal behavior, for example cutting of trees.   This is often complicated in classifying your imagery is because the image is not stable, if you compare different seasons you may classify a lot of 'false change'. To filter this out you use this dense time series analysis.

(Ehara) Next, for forest degradation, many REDD+ host countries are already making efforts.   Dr. Ruandha in his keynote speech and Mr. Macuacua in the afternoon session talked about this.   I would like to raise the same question to Dr. Ruandha and Mr. Macuacua.   In Indonesia, how is the MRV done for degradation for REDD+ and what are the challenges in doing MRV of degradation?

(Sugardiman) As one of the REDD+ instrument, there is a system of monitoring done by the country itself. We, in Indonesia, the national forest monitoring, we call it SIMONTANA, Sistem Monitoring Hutan Nasional, it is just translated from National Forest Monitoring System.   In our system, we have a land cover mapping every year, and annually we update our land cover map from Landsat with a resolution 30

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meters.   In the classification of our land cover map, there are 23 classes.   The classes that we can generate information of the degradation is from the class of number one and number two.   Number one is the primary forest and number two is the secondary forest.   When we noted the secondary forest and we note the primary forest in the same place for the historical data, we can subtract from the primary to the secondary because in the secondary forest, when we made the designation, one of the key point is, there is a root network in that area, so it is not always patching the open area, but there is a root network.   It means that the quality of the forest in the area has become decreased, so we classified it as a secondary forest. So when the same area, for example, last year it was the primary forest, and today it becomes the secondary forest, that area has become degraded.   This is our definition of how we measure degradation in our system of monitoring that I can share.

(Macuacua) The issue of degradation in Mozambique, we have not applied so far.   If you saw in my presentation, it became as a kind of challenge because what we defined in our MRV, actually we were just focusing on the issue of measurement, but the measurement we just focused on the issue of deforestation. To be back on the challenge to response to the issue of degradation, in fact, where we highlighted many challenges there because we are in a very dry tropical forest.   To understand the issue of degradation, it does not allow us to bring the reliable results.   That is why we need to differentiate the forest degradation and the deforestation by itself, and also the issue of sustainable management because these issues, it can lead to a certain bias because in a dry tropical forest, the situation is not so easy like a humid tropical forest. The management of the forest, it can be classified as degradation.

Also, there is a need of trying to see these issues associated to the fieldwork survey because to bring these by itself, it does not only depend on the issue of classifying the forest.   You see the removal of the cover, it means you have to quantify the biomass, you have to convert it into a carbon stock, and then after that, you associate it to the issue degradation.   Also, you need to know what we quantify the measurement of the threshold within the timeframe of the greenhouse gas inventory in order to be consistent.   I think all of those elements needs to be considered to get it in order to say these are degradation or not. Otherwise, we will have a time series bringing back up all these things for quite a long time, seeing it as deforestation or seeing it as a degradation, it is only a forest management.   I give you an example of the issue of forest management.   As we know, thinning, it is a kind of removal of trees.   In a dry forest, these kinds of things are being misinterpreted.

(Ehara) When you want to do MRV with forest degradation, it is not just measurement.   We also have to report so you really have to consider the time period of the report as well.   We had expert meeting yesterday, and I heard that there are more than 70 different definition of forest degradation in the whole world.   I can only imagine how difficult it is to classify deforestation and degradation.

How are we going to define degradation or how can we set the time period for that measurement?   I think that is related to the second question that I want to ask.   There are multiple types of forest and we had different definitions.   It is only a natural phenomenon and it changes over time.   On the other hand, we are the human beings.   We have society, economy, and politics and all these different elements are

involved.   Now we are receiving results including the forest degradation from different countries.

As Dr. Sandker explained, less than ten countries are now making submission for result-based payment, but going forward, there will be an increasing number of developing countries who are working on REDD+.   They are expected to make submissions.   We have different definitions, different drivers. There may be guidelines, but there are multiple different reports.   Therefore, we need to consider a possible increased uncertainty in reports, so how are we going to deal with this uncertainty?   I understand this is a problem, but to be a little bit more specific, what are the problems the uncertainty may bring about, and how can we possibly solve them?   I would like to once again ask Dr. Sandker to make a comment on this issue.

(Sandker) Currently, we have the GCF Pilot program for result-based payments, which is relatively tolerant on uncertainties.   As I mentioned earlier, the results and the reference level will be scored against the scorecard, and if your uncertainty is higher than 50%, what will happen is that there will be a discount. You will lose maybe 4 points. The total number points on the score card is 48, so you lose around 8% of your payment.   That is not so problematic really.

The problem may be much larger once we are moving to other payment schemes which will be for offsetting, because inherently for deforestation and forest degradation, the uncertainties are large.   If we have an offsetting scheme, it might be problematic if you have an uncertainty of 100% around the emission reductions, because in an offsetting scheme, you must make sure that what you purchase is at least as much as the emission reduction that you are avoiding that way.   The height of uncertainties will depend on the type of forest and deforestation pattern –large-scale deforestation in dense forests can be assessed with reasonably high accuracy.   If you have a dry forest with very scattered deforestation that is much more challenging.   As much as you follow good practice in measuring and reporting, the uncertainty will always be high.   Uncertainties of around 20-30% are common around reference levels.   Do keep in mind that once you actually assess the results, the uncertainty of the emission reduction will be much larger than the uncertainty around your reference level.   Donors may need to embrace these uncertainties.
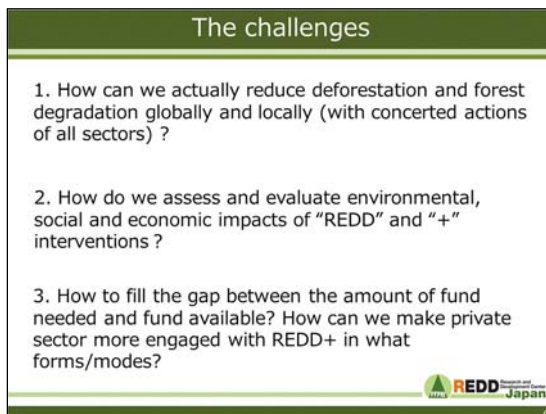
What are policy challenges left?

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(Ehara) For the next stage, full implementation, what are some of the policy challenges that still remain? How can we also address these policy related challenges?　That is the next question.

There are three challenges that are listed here.　First, how can we actually reduce deforestation and forest degradation?　How can we make sure that we have concerted actions of all sectors, from local to global?　Second, how do we assess and evaluate environmental, social, and economic impacts of REDD and REDD+ interventions?　Third, how can we fill the gap between the amount of fund needed and fund available?　How can we make the private sector more engaged with REDD+?

First, there is a question whether we really control degradation and deforestation.　The answer has to be, at this point in time, no.　A major scale of agribusiness can be a source of deforestation.　We also have complex supply chain, and on the other hand, there are also local community-based deforestation.　Its scale is small but collectively, it could bring a large impact.

We had internal group meeting for REDD+ last week and some of the participants said that they were unsatisfied because REDD+ always talked about framework. They do not sufficiently discuss how we can stop emissions, and that is one possible perspective to evaluate REDD+. I am a researcher looking at socio-economic aspects of REDD+, so sometimes we carry out survey asking local communities why you cause deforestation. Some of them said that they have to pay for hospitalization of their parents, they get married so they want to buy a new house and new farming land, they have to pay money for wedding or funeral, they have to borrow money, they were forced to cause deforestation because of instruction given by their boss. The issue of landownership or FPIC is also relevant story. On a community level, how can we stop deforestation or degradation. Have you had sufficient discussion on this level? I think that is the missing link and how we can cope with that is a very difficult and challenging issue.

Now I would like to invite comments from Ms. Seymour.

(Seymour) I think it is useful to divide the question as posed between what can be done at the national level and what is the role of the international community.　As I tried to lay out in my presentation, we actually know quite a bit from research and experience about what works in terms of national policy. Certainly, the Brazil example is very interesting in terms of the effects of combined establishment of protected areas, recognition of indigenous territories, better law enforcement based on remote sensing technology,

incentives for agricultural interests. So in the big picture we know what kinds of tools are effective. You are right to highlight some of the hard cases at the local level because I think what we know the least about are the hardest cases where deforestation or degradation is driven by desperate people and when you do not have the capacity to enforce the law in a humane manner and consistent with human rights principles. It is one of the examples of tough cases. But by and large, I would say there is a big gap between what we know how to do in countries and what countries are actually doing, so there is a lot of progress that can be made until you get to the hard cases.

From the international community, I would quickly just tick off three things that we know that can be effective. One is the financial incentive. That is the whole premise behind REDD+: to be able to provide a financial reward for a particular outcome, and we really have not tried that yet at any scale. The second set of policies are financial policies, and to reward through the market place, either through price premiums or market access or both, those products that are produced in a forest- friendly way. So whether that is the verified legal timber or deforestation-free palm oil, that is certainly something that those of us on the consumer end can play a big role.

Something that we have not talked quite enough about is the role of political norms. I do not think we should underestimate how powerful those can be. To the extent we have global norms for example, that climate change is urgent and important and we need to do something, we can count on leaders reaping the political benefits of positioning themselves in a leadership role. In both Indonesia and Brazil, we have seen evidence of that where in Brazil, President Lula wanted to position himself as a leader in this space and made commitments in the international fora. Similarly, President Yudhoyono made his big commitment as the first developing country to set an emissions target and wanted to be a leader without a real prospect of material reward on the near horizon.

That can be important when complemented by domestic constituencies for reform, and again in Indonesia, I think we saw that in play in the aftermath of the 2015 fires when a number of policies that were put in to place -- extending the moratorium, getting serious about fire prevention – that was not done because of the prospect of international financial reward – it was done because it was seen as a national political priority. I think all these things can come together in terms of doing what we know works – having domestic constituencies demanding it, and complemented by various roles of the international community. There is certainly a lot that can be done.

(Ehara) Maybe I should have defined what 'we' meant. Ms. Seymour gave us comments about how the deforestation and forest degradation can be reduced from different standpoints of developed countries or developing countries governments. Defining 'we' as developed countries' government, I would like to hear more. Dr. Rhuandha and Dr. Macuacua, what are the challenges and how can we deal with those challenges if possible?

(Sugardiman) The policy challenge that Indonesia faces is actually a political will. That is not what Ms. Seymour explained that from the highest level of the political will, the consent of reducing GHG emissions. From the President and now continued by Jokowi, he still has the strong power to conduct the emission

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reduction. In the local activities the deforestation is happening because from our remote sensing monitoring, at least from the extension of the agricultural land and also the mining activities. The extension of the agricultural land in Indonesia is done by fires so if the fire becomes the main source of the deforestation. If you can handle this problem, how we can minimize the fires that happen at the community level will become easier for Indonesia to reduce the deforestation. It means that there is intervention for technology, intervention for funding for the local farmers. We also make the regulation for the local farmer and local activities so that we can reduce the deforestation in the local area.

(Macuacua) When it comes to the process to reduce the deforestation, from the point of view of the Africans, when we see a forest, we see a lot of elements together – we do not see only just trees. First of all, we have to see what is inside of the forest. Are there only trees? Obviously, no. There are communities, animals, a lot of things. The first point, for example, I can just go to the livestock and wildlife. They do the grazing. The wildlife, they can eat the tree and it can cause degradation at a high level. On the other side, they need to survive themselves. They can do a kind of a deforestation by doing some of the small farming and so on. The other necessities – how to get money. Let us take a small example of buying uniform for kids. The easiest resource close to the community is the tree. Whatever they do, they try to see, how can I make it a change of the trees in terms of money? They convert it into firewood, charcoal, or something like that, which is easily to respond to the huge demand that exists in the urban areas. For that, they can get money to respond to their necessities.

Here, I think everything passed through the political will to find alternative in a collective way. Alternative of source of energy for the urban areas because those urban areas at least in Africa, or I think if you take the averages of the charcoal and firewood consumption, it becomes number one. So, I think the political will to bring this to change the political will and to try to find alternatives using other source of energy that should be taken into consideration and implemented. Not just only to state in a paper and get funds and put in other sectors. Another thing is how this community can still live in the forest but without damaging the forest. They need kind of a technical support in order to preserve this kind of forest. Here, we are talking in terms of conservations. Last but not least, these people need some kind of stimulation because they are doing something to preserve this forest. Who caused the huge change of forestry? In fact, it is not the community who lives inside the forest, and it is the people living outside of the forest because they cannot manage to sustain themselves – they are cooking using electricity or gas. I think the political will address the alternative source of energy, it can help to reduce deforestation.

(Ehara) The local people could be the pressure to deforest and they are also depending on the forest as well, and we have to consider also the people outside of the forest. By conserving the forest, people in the local community can benefit.

This leads to the next question. Recently, REDD+ expected a benefit, not just the CO_2 reduction, but other benefits. There are some important topics such as the relationship with SDG's, the importance of timber products as well as non-timber forest products, and multiple benefits other than CO_2. We need to evaluate and assess those benefits, such as the conservation of biodiversity and non-CO_2 ecosystem

conservation. In the context of REDD+, non-carbon benefits are expected.

Also, if the community utilizes the forest sustainably, or if they can have access to alternative livelihood, it may be expected to improve livelihood of local people, and to have positive impact on the rights of utilizing the natural resources. Also, we may be able to see the economic benefits, such as making the supply chain of the product green rather than being a contributing factor to deforestation and degradation.

There is a higher momentum of achievement of SDGs and there are various benefits regarding REDD+ activities and the assessment and the evaluation of the REDD+ benefits are also expected. In reality, how much will be able to do the multiple benefit evaluation at this moment and the issues that we have? I would like to ask in relation to safeguard, Dr. Savaresi.

(Savaresi) I believe there is a very crucial question associated with the institutionalization and the provision of benefits - environment of social or economic- and how do you do that? You proceduralize it and I cannot emphasize enough how this is not only a REDD problem or a forest problem. This is across the board – you look at various forms for natural resource management or even climate change mitigation measures and you would find exactly the same question.

The issue is, what do we learn from those experiences? One clear issue is understanding that safeguards, such as the ones I described earlier, that are agreed at the international level and are supervised by international organizations are only part of the solution, but the real solution must come at the national level and sub-national level. In that connection, you can put policy solutions on a spectrum. On the one hand, you can have big carrots associated with encouraging with provision of benefits- you can imagine tax breaks or premium payments for those that deliver these benefits. On the other end of the spectrum, you can imagine that the provision of benefits is a requirement embedded in the law - for example, the license of certain activities conditional on the provision of benefits. So if you do not provide benefits, you do not get the license, and this means that there will have to be strict sanctions for not delivering those benefits.

The national policy makers have a toolbox and can decide what to use, but clearly this also depends on the political will to make this happen. Again, I do not want to sound pessimistic, but it is not that anybody has yet found a solution to make this happen, but benefits and arrangements are out there in the real world. You find them in the mining sectors, you find them in protected areas, you find them in water management – so the issue is to identify best practices and what works, and replicate those best practices.

(Ehara) Regarding this topic, not only social and ecological but also economic benefits may be present. I think Dr. Dieterle spoke about that. Dr. Dieterle, could you comment on the economic aspects of this issue?

(Dieterle) Let me take a step back and to look at the drives of deforestation and degradation and basically, if we have a sort of better understanding of those drives, we can look at economic tools or other tools for addressing them.

I think what we see as the challenges still, is we have in many countries' political instability. We have in many countries, a new nationalism which makes it difficult to agree across borders and in a regional aspect,

between consumers and producers. I think we have the development of big cities, which create punctual pressure on forest resources. In Kinshasa for example with 30 million people, 80-90% depending on wood fuel and charcoal so I think it is no more a population distributed across the country but creates pressure on point by point. Challenges are poverty, land tenure issues, and the competition between agriculture and forestry, as well as other land uses.   Also I would say, if you look at result based payments, we have a dependency from outside investors in national development plans and so on, and the question is whether these investments are stable or not, because a lot of changes are demanded by governments in developing countries to fulfill the requirements – the textbook of what has been approved.   I think that degradation and deforestation come from need but also greed.   As you have mentioned, the toolbox has to respond to both policy measures and governance measures and overcome informalities, but also have to respond to the needs of the people, and I tried to explain that.

Now, if you look at options at the economic level, I have a couple of points.   One point would be to work on the understanding of citizens in the north about the rural forests.   I think much of the REDD+ discussions were triggered by the fact that we want to protect standing trees – removal of trees is something seeing as bad, which is certainly the case for high biodiversity forests and high conservation forests. Basically, people need to use timber for the daily living and so on, so we need to develop the understanding amongst donors of the concept of productive forests in parallel to conservation and protection activities.

Another point on the economic side is, even the World Bank has only started now to discuss the role of fiscal systems, tax systems, and other incentive mechanisms to influence private actors and large populations in their behaviors.   If you look at in the north, subsidies for solar panels, for example, as more incentives can trigger a big investment by a private person.   I think now still in many countries, illegal or informal activities are more profitable than behaving according to laws and sustainability, so why should somebody change to something he has no benefits?   Private sector is about profit making. So I think we need to work with governments on fiscal and taxation systems and I think donors could also reward the payment for such incentives in a more direct way so that the private sector can get a stimulus to work.   No donor community, no Green Climate Fund can finance all the needs coming from reducing emissions from deforestation.   It has to become an internalization into the economies of countries, basically, and carbon payments should be the icing on the cake for such behavior, and not the norm.

Then, we need to look at landscape planning, because we are now with a high population growth, we are in competition between land uses that can only be solved through planning mechanisms where agriculture, forestry, mining, and infrastructure has been based on comparison and negotiation between different land uses. I think that is something is now coming up on the forest landscape restoration initiatives, but it takes a lot of energy, but is a necessity.   Not everything can be regulated through the market.   It has to become a norm in the governments and political will.

One thing that has not been raised at all in the REDD+ discussion – we have so far a negligence of education, capacity building, training and awareness in populations in the north and in the south.   How can somebody in Papua New Guinea participate in a legal and sustainable supply chain mechanism if he does not know a management plan or how to do verification and tracking of his products and how to document and so on. I think this is something we are starting to focus much more on in the future.

The last point I would like to make is, maybe there are other ways to focus on payment for results as I have already started to allude to. What if governments provide incentive to private sector companies based on verification through certification or other means. Incentive costs money to the government, which is not there in many countries because they have other priorities such as health or infrastructure they need to cover. There would possibly be a more direct way to use result-based payments to compensate governments for loss of income from taxes and fees based on the verification systems. I think these are couple of ideas, which we are currently developing, and we have started to work with the World Bank as well. We will do country case studies, and maybe that is another way to stimulate private sector action, which does not cost precious resources, which we would possibly need for protected areas and hyper diversity areas.

(Ehara) When it comes to the economic evaluation of REDD and 'plus', we ended up talking not only about REDD+ but about the forest sector as a whole including how to reforest, etc. When you talk about that, the developed countries with the economic clout would have to play a big role. The consciousness of the consumers and companies in the developed countries also have a big role to play it seems.

That leads to the next question. Ultimately, from the morning until now, we have again and again discussed about the gap between the funds required and the funds available. In order to fill that gap, private sector players need to get involved. Mr. Ikeda and Mr. Okumura gave presentations on this topic. They have come up with very innovative and new ideas, so to be honest, I did not fully understand their schemes. If Mr. Okumura and Mr. Ikeda can summarize what they talked, that would be helpful. In order to get the private sector involved in REDD+ and in the forestry sector in general, what sort of measures are required? I would like to ask Mr. Ikeda and Mr. Okumura to comment on this to the extent possible.

(Okumura) I think this third question has two sentences. One is how to fill the gap of funding. I think this is referring to the demand side. The second is how to incentivize the private sector involvement in REDD+. This is referring to the supply side.

Let me start up with the supply side – how to stimulate private sector's involvement in REDD+. I think it is critical to establish a clear benefit sharing to incorporate private sector activities while avoiding double counting. Private sector implementers need balanced risk return profiles so revenue for emission reduction is very important. Therefore, it is important for the host countries to allow private sector implementers to obtain title on emission reduction and have the right to sell these emission reductions. In case that some countries are reluctant to give the title, at least these countries may consider establishing a system so that benefit or cash flow accrues directly to the private sector.

Now moving to the demand side, how to fill the gap of funding, I think establishing liquid and transparent emission reduction market is important, but it may take time. One suggestion is to use intermediaries. There are some experienced global climate traders who have experience in trading emission reductions and also who have expertise in pricing emission reductions. Using these intermediaries, if they can offer a price to purchase emission reductions when investors would like to sell the emission reductions, it will help expand the market and development of transparent and liquid emission reduction market.

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(Ikeda) REDD+ projects, as far as I have heard so far, interpreted narrowly, try to achieve a certain level of carbon reductions and they have developed fine grain mechanisms for identifying their emission reductions from such projects. Probably that alone will not be enough to get a large inflow of private sector funds. That is my gut feeling.

Mr. Okumura of IFC also explained a very detailed scheme and I was really impressed by this scheme. On the other hand, I am in the Financial Services Agency of Japan and I have noticed investors who have been deceived by very complicated schemes. Complicated schemes are complex because they cannot be achieved very simply. If the complexity is abused, it can lead to fraud. As far as I understand, the IFC scheme is based on the goodwill and there are concessional aspects for a certain loss. They are also trying to share risk with intermediaries. I wonder if there are more simple means to secure more flows of private sector money. For the companies, their ultimate goal is profit maximization, so we need to think what impacts there will be on corporate profits. You need to be able to present an understandable story to the companies. That is the best way to motivate their activity.

There are a lot of knowledge you can gain from the REDD+ project. We talked about multiple effects that surround the project. If there are companies operating around the project site, it could be a factory or down-stream operations. The climate change can be a stress posed on them. The issue of flooding and the possibility of losing the rights to use water or if they purchase anything from farmlands in the neighborhood, there may be a loss of purchasing. If there are illegal operators in the same community, if company is buying from illegal operators, what could be a risk?

A lot of information can be extracted from the project. It is not just carbon reduction. More extensive information can be extracted for investors and companies as well. We should understand what could be the impact on the corporate value, and this could be additional value to the eyes of the investors as well. The flow of money and worth of value is what investors are trying to find out. If we can cooperate with these players, companies want to have that information without pressure from investors. They may be willing to change their behaviors with that information, so how can we share information that is most relevant and valuable to companies is a good question to ask. As a possible framework, as I explained earlier, TCFD disclosure framework has been established.

Illegal operators can make money on a short-term basis, but if companies would not be able to purchase lumber from them, it is a loss to the private company on a long-term basis. Information that can elucidate this loss making mechanism is important. Then companies may notice that they are exposed to a risk of losing their corporate value. This could encourage them to provide funding. The same for investors – realizing how important it is to protect their corporate value that are at risk. Hopefully we should be able to see better flow coming from the private sector. I have that expectation. What I would like to see is the extensive development of REDD+ efforts.

(Ehara) These two difficult questions to the two Japanese experts have given us very simplified, easy to understand answers.

What are the specific opportunities identified at present, and how can we make use of them?
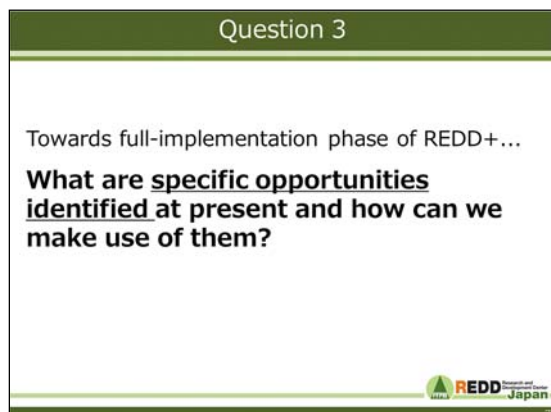
(Ehara) Let me ask the last question. What are the specific opportunities identified at present, and how can we make use of them? Any comments to this question?

(Okumura) This might be a little bit controversial, but I would suggest a use of legacy project based activities. There are some project-based activities that have already been implemented and have a track record of generating emission reductions. Knowing that the movements are from project-based activities towards the jurisdiction REDD+, but track record is very critical for the provider of finance so why do we not fully utilize that? If these projects are nested into jurisdictional REDD+ in the right way, these projects can continue generating emission reductions and these projects can offer opportunities to develop ways how the REDD+ activities are financed.

(Ehara) Including this issue of legacy project, do you have any opinion, Ms. Seymour?

(Seymour) I am not disagreeing with you as long as we underline the 'if nested in the right way' part of your proposal, but that is where the devil is in the details, I think. My sense is that there is still a lot of homework to do both in the rich countries as well as the developing countries to put into place the architecture that is necessary for the kinds of transactions that would meet the various standards that we have been discussing today. I cannot help but think what we really need is some kind of signal in the near term that REDD is real and get some of these transactions moving more than just from the FCPF Carbon Fund. If the state of California could adopt the tropical forest standard this year, if ICAO was including tropical forest offsets in the right way in their system so that those political leaders who are facing choices in the near term about what to do with land use that the prospect of REDD+ financial incentives are actually real on a relevant political time horizon is probably the most important thing.

(Sugardiman) During the submission of the Indonesian second BUR, there is a technical annex for REDD performance. From that activity reduction from the deforestation, forest degradation, the year 2014 until 2017 we can claim under the GCF, Green Climate Funds. The available funding from the GCF is about

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500 million US dollars, and in June there is a meeting for GCF headquarters, so we will submit the proposals for that.

(Ehara) I am sorry that we had to rush through to the end of the panel discussion. I would like to conclude this panel discussion.