

Griffith Asia Institute

Research Seminar - The costs of stopping deforestation

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Abstract: Even though deforestation in tropical developing countries releases large quantities of greenhouse gases, the Kyoto Protocol does not include mechanisms for forest conservation. Nevertheless, deforestation and forest degradation has now taken centre-stage as the developed countries, having failed to convince their own electorates to bear abatement costs, have pledged large sums to stop it. It is in the interests of both donors and recipients that the costs of abatement are matched by compensation payments. The paper examines in detail the abatement in greenhouse gas emissions achievable in Papua New Guinea (PNG) - a heavily-forested tropical country - by the reduction in deforestation and forest degradation (REDD), and the opportunity costs of doing so. Its methodology takes advantage of recent modelling of the emissions from deforestation in PNG and integrates this with financial models developed by the author for the logging and palm oil industries. Indonesian results are also drawn upon to support an argument that the opportunity costs of REDD have been systematically underestimated. The analysis also helps to achieve a fuller understanding of the complexity of designing and implementing policies for REDD that not only adequately compensate for a country's opportunity costs but do so in a way that improves the welfare of regional communities.