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New Training Manual and Workshops

Estimating the Opportunity Costs of REDD



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Estimating the Opportunity Costs of REDD

Analytical methods to estimate synergies, tradeoffs and opportunity costs of REDD

Participating in REDD (Reduced Emissions from Deforestation and Degradation) could generate significant resource flows for developing countries, but it also entails costs. Understanding these costs is critical if countries want to take full advantage of the opportunities that REDD offers.

Why estimate opportunity costs?

Avoiding deforestation conserves carbon and many other benefits that forests provide, such as water services and biodiversity. But it foregoes the benefits of alternative land uses, such as production

of timber, crops, and livestock. These opportunity costs are often the largest component of the costs of REDD. Thus, knowledge of opportunity costs at a national or regional level is important before developing policy priorities and entering into REDD agreements.

Opportunity cost analysis provides money-based estimates of how different stakeholders and sectors of the national economy would be affected by REDD policies and payments. They are an important part of a national planning process.

The Forest Carbon Partnership Facility (FCPF) in cooperation with the World Bank Institute (WBI), Partnership for Tropical Forest Margins (ASB) and the Consultative Group on International Agricultural Research (CGIAR) have developed a training manual providing guidance on how to estimate the opportunity costs of REDD. A series of workshops on this theme will also be offered.

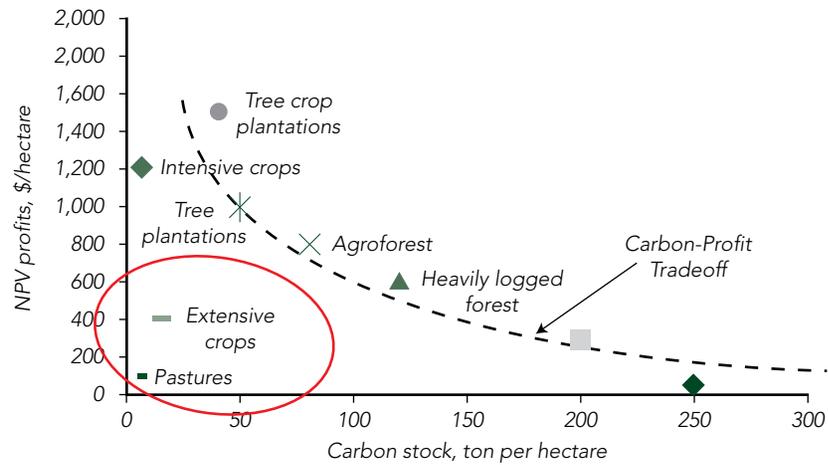
The REDD opportunity costs training manual and workshops will:

1. provide methods & tools to estimate opportunity costs of foregoing land use changes in forest landscapes;
2. enable professionals (governmental, university, non-governmental, project developers) to learn, adapt & use the methods and tools as well as recommend national REDD-related policies;
3. help identifying data needed for analyses and more accurate estimates;





Profits vs. carbon stocks in typical land use systems



- generate a national or regional REDD opportunity cost diagram and help identify least-cost sites for REDD implementation.

Tradeoffs and the “low hanging fruit”

Comparing the profitability and the carbon content of different land uses allows the tradeoff between them to be assessed and the priorities for REDD to be identified.

Natural forests typically have high carbon stocks but low profitability (lower right section). In contrast, intensive agricultural crops typically have low carbon & high profitability (upper left section).

Forest conversion to some land uses, such as low-productivity pastures, does not represent a tradeoff since these pastures have both low carbon stocks and low profits. REDD activities that prevent the conversion of forest into low productive pastures can produce

large carbon gains for a small opportunity cost – and can be considered as a ‘low hanging fruit’, and a priority for policy action.

Numerous factors such as soil type and distance to markets can affect carbon and profits. Land-use mapping can help identifying these issues.

How to estimate opportunity costs?

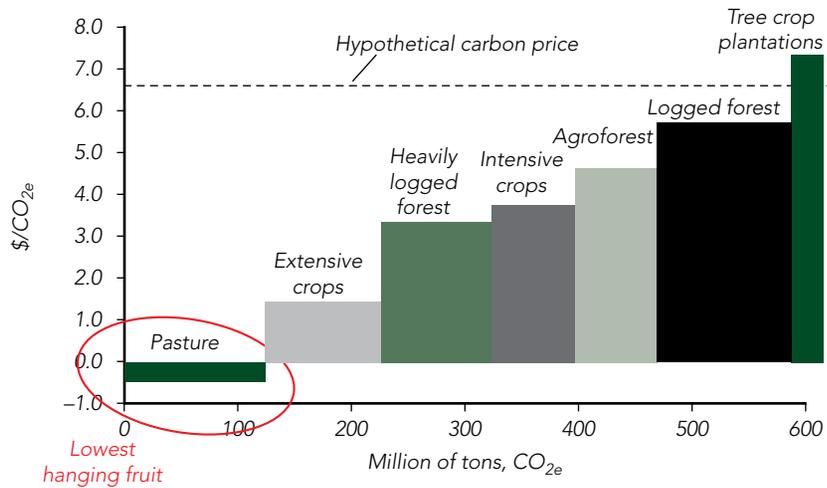
A REDD opportunity cost diagram shows the potential emission reduction against the opportunity cost for each land use conversion. It helps answering questions:

- What land uses have the lowest opportunity costs?
- What quantity of CO_{2e} emissions reduction will be possible at a compensation price of \$X/CO_{2e}?
- Where in the country are the least-cost opportunities for REDD projects?

A GIS component indicates spatially the different land uses and the opportunity costs in the target area.



Example of an opportunity cost diagram using the methods explained in the new training manual

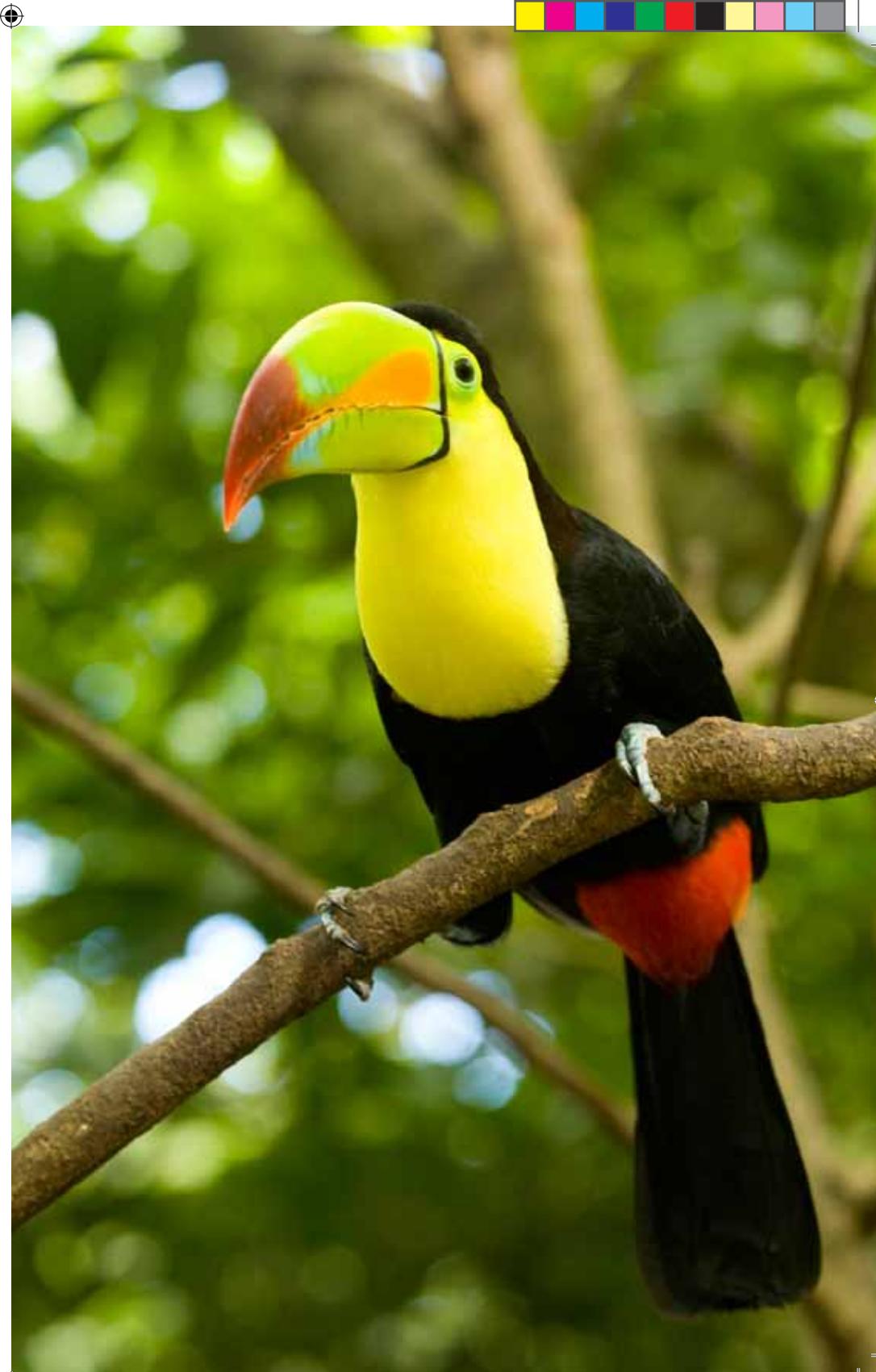


How accurate do the estimates need to be?

Although countries may not have all data ready for estimating detailed opportunity costs, a first-level analysis can generate opportunity cost estimates that can help decision-making. Countries can start with generic data and improve the analysis when more specific data is available.

Training manual and workshops

The new training manual and related workshops will help practitioners to estimate opportunity costs and identify the best opportunities for REDD. The training manual will be released in the fall of 2010. In 2010/2011, the FCPF will offer regional training workshops for national practitioners, REDD developers and policy analysts.





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For specific information on the training manual and workshops,
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