COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 17.10.2008
SEC(2008) 2620

COMMISSION STAFF WORKING DOCUMENT

accompanying the

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Addressing the challenges of deforestation and forest degradation to tackle climate change and biodiversity loss

SUMMARY OF THE IMPACT ASSESSMENT

{COM(2008) 645 final}
{SEC(2008) 2618}
{SEC(2008) 2619}

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During the last five years, between 11.8 and 13 million ha of forests have been lost annually. This is an alarming trend and in the past 20 years no significant decrease in the deforestation rate has been recorded.

The causes of deforestation and degradation include a combination of direct and indirect economic, institutional, political, natural or social factors: for example, demand for agriculture or infrastructure development, or government failure to protect these valuable assets. The result is that forests are often lost or degraded even when it is not in the countries' long-term interests.

High rates of deforestation have severe consequences for climate change. Forests play a vital role in the global carbon cycle, storing roughly half the world's terrestrial carbon. In 2004 the forestry sector accounted for 17.4 % of global annual greenhouse gas emissions. This is why the targets set in the Commission's Communication "Limiting Global Climate Change to 2 degrees Celsius - The way ahead for 2020 and beyond" are unlikely to be met without a reduction in greenhouse gas emissions from deforestation and forest degradation, in addition to the other measures put forward. Tackling deforestation and degradation should also safeguard to the maximum extent possible biodiversity and the ecosystem goods and services it can provide. Doing so could support local populations, and contribute to tackling poverty.

The target that needs to be met is to halt global forest cover loss by 2030 at the latest and to reduce gross tropical deforestation by at least 50% by 2020 compared to the current levels. A number of options are examined with this aim in mind.

Business as usual would be unsatisfactory on a number of counts. A first option of promoting a Multilateral Environmental Agreement on halting and reversing deforestation is discarded as unfeasible. A second option of strengthening existing policies/instruments is also analysed. The policies examined as part of this second option include improving policy coherence at the EU level, strengthening institutional and governance systems in third countries and promoting effective multilateral responses. This could have a positive effect but will fall well short of the target if not combined with additional measures.

This is why a third option of raising new funds for halting deforestation and forest degradation is examined. This could be done, for example, by

–   setting up a new Global Forest Carbon Mechanism

–   testing the inclusion of deforestation in carbon markets.

A number of technical parameters related to coverage, criteria, monitoring and payment mechanisms of such an option are also examined.

The preferred option until 2020 is a combination of strengthening existing policies/instruments and creating the Global Forest Carbon Mechanism raising new funds through auctioning revenues. A direct link to the carbon market via forest emission reduction credits could be further tested . These options should become elements of the global climate change agreement in Copenhagen in 2009 to which the EU would contribute its fair share.

This Impact Assessment is, though, only one step in a longer process. The preferred option needs further details and elaboration, particularly in relation to the designing of the Global Forest Carbon Mechanism. This will be done in a timely manner to inform the final UNFCCC negotiations in December 2009.