



House of Commons
Environmental Audit
Committee

**Reducing greenhouse
gas emissions from
deforestation: No hope
without forests:
Government Response
to the Committee's
Fifth Report of Session
2008–09**

**Eighth Special Report of Session
2008–09**

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The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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Committee staff

The current staff of the Committee are: Gordon Clarke (Clerk); Simon Fiander (Second Clerk); Tim Bryant (Committee Specialist); Edward White (Committee Specialist); Susan Monaghan (Senior Committee Assistant); Susan Ramsay (Committee Assistant); and Steven Everett (Sandwich Student)

Contacts

All correspondence should be addressed to The Clerk, Environmental Audit Committee, Committee Office, 7 Millbank, London SW1P 3JA. The telephone number for general inquiries is: 020 7219 6150; the Committee's e-mail address is: eacom@parliament.uk

Eighth Special Report

The Environmental Audit Committee published its report on *Reducing greenhouse gas emissions from deforestation: No hope without forests* on Monday 29 June 2009 as HC 30. The Government's Response to the Committee's Report was received on Tuesday 13 October 2009 in the form of a memorandum to the Committee. It is reproduced as an Appendix to this Special Report.

Appendix—Government response

Introduction

(i) The Government welcomes the Environmental Audit Committee's continuing interest in international climate change and forestry.

(ii) This is a cross-cutting issue and a number of Departments are working together to deliver the Government's objectives in this area. The Government's response to the specific conclusions and recommendations of the Committee's Report is provided by the Department for Energy and Climate Change (DECC); the Department for Environment, Food and Rural Affairs (DEFRA) and the Department for International Development (DFID).

Conclusions and recommendations

1. An agreement on reducing emissions from deforestation and forest degradation will be required if the UNFCCC conference in Copenhagen in December 2009 is to be a success. We are concerned by evidence that the negotiations are focusing solely on the development of a payment mechanism. An agreement at Copenhagen must include a decision that the global community will also act on both the supply- and demand-side causes of deforestation. In particular, the UK and other developed countries must reduce the impact of their consumption patterns on deforestation and forest degradation. (Paragraph 14)

The UK agrees that reducing emissions from deforestation and forest degradation (REDD) must be part of a Copenhagen agreement in order to be on track to meet our ambition to keep global surface temperature increases to less than 2°C. At Copenhagen the UK wants to reach agreement to reduce tropical deforestation by at least 50% by 2020, and to halt global forest cover loss by 2030 at the latest, while providing sustainable livelihoods to forest communities and conserving and sustainably using biodiversity and other forest ecosystem services.

The text under consideration for Copenhagen¹ shows that the negotiations on reducing emissions from deforestation, forest degradation and sustainable management of forests (REDD+) are complex and go much wider than designing a price mechanism. We support

¹ In September 2009 the text under discussion can be found at <http://unfccc.int/resource/docs/2009/awglca7/eng/inf02.pdf> This is a living document that changes constantly.

the multiple references to broader sustainability issues and recognition of the importance of demand-side measures.

The Government is fully aware that in order to see real emissions reductions from deforestation and degradation, incentives need to address country specific drivers. Supporting robust forest governance, including legislative frameworks and adequate enforcement are essential. Any payment mechanism for carbon reductions therefore needs to be preceded by institutional capacity building where necessary, and complimented by demand side measures. That is why we are participating actively in the International Working Group on Interim Finance for REDD (IWG-IFR)² which is working on a phased approach to capacity building leading to incentive payments, and continue to support the development of measures at the EU level to tackle trade in illegal timber. Measures under the European Union's Forest Law Enforcement Governance and Trade Action Plan 2003 can support the governance reform necessary.

2. The UK Government must lobby for an agreement in Copenhagen that includes a mechanism to support capacity building and effective governance in rainforest nations. The Copenhagen agreement must reduce the economic drivers of deforestation. (Paragraph 21)

The Government accepts that capacity building for climate change is fundamental for developing countries in implementing the UNFCCC Convention and in addressing climate change at the national level. Capacity building should be country-driven and therefore based on specific capacity requirements. The Prime Minister launched on 26 June an initiative to set out the UK's views on climate finance, to encourage ambitious outcomes at Copenhagen, which recognised the importance of REDD.

We fully understand that financial incentives will not address greenhouse gas mitigation in the forest sector if forest governance is weak. In many countries illegal activity—both through logging and land conversion—has been one of the most significant drivers of deforestation and forest degradation. It is therefore vital that we address issues of forest governance and build on existing national and international initiatives in this area in order to effectively address the drivers of deforestation. It is our objective that an agreement on REDD at Copenhagen will create a new economic incentive to value the carbon in forests, so that this value can be properly reflected in subsequent decisions about how forest resources should be used.

The UK is seeking to ensure, through the EU Forest Law Enforcement Governance and Trade (FLEGT) Action Plan 2003, and participation in the World Bank Forest Carbon Partnership and Forest Investment Programme, as well as through the IWG-IFR, that developing countries have in place the capacity to tackle effectively the drivers of deforestation.

² The IWR-IFR was set up following a meeting hosted by the Prince of Wales in London in April 2009.

3. We recognise the benefits of channelling funding through multilateral organisations, but the Government must ensure that these organisations effectively deliver its aims. More resources should be given to bilateral activity on forestry related issues, especially as development objectives and climate change objectives are well aligned in measures to reduce emissions from deforestation. (Paragraph 24)

The Government takes seriously the effectiveness of the multilateral finance institutions through which it channels funding. A performance framework is in place to monitor progress in improving the effectiveness of these institutions. The UK is represented on the governing bodies of the Congo Basin Forest Fund, the Forest Carbon Partnership Facility and the Forest Investment Programme and is able to exercise direct oversight of these funds.

DFID will direct more resources bilaterally to meet specific objectives and to take advantage of opportunities to advance wider, international, objectives.

4. We caution against further reductions to UK bilateral activity in significant rainforest nations. The UK must be able to work effectively on environmental issues in its bilateral relationships. Outsourcing environmental work may lead to a reduction in civil service expertise and the UK's effectiveness in this field. The Government must ensure it retains an appropriate level of expertise. (Paragraph 27)

The Government has no plans to reduce further its bilateral work with rainforest nations and fully agrees with the Committee's comments about retaining an appropriate level of expertise.

Although not strictly a form of bilateral activity, DFID's support to Partnership Agreements between rainforest nations and the European Union under the FLEGT Programme, provides a vehicle for the UK to work effectively with rainforest nations on matters related to forests and the broader environment. Added to this, Defra continues to support some smaller but significant projects through bilateral funding, including through the Darwin initiative and the Sustainable Development Dialogues.

For example we are working closely with the Brazilian Government through the cross-Government UK-Brazil High-level Dialogue on Sustainable Development, which has a strong focus on forestry and natural resource management issues. Within this we are providing £140,000 to support a collaborative project run by the UNEP World Conservation Monitoring Centre (UNEP-WCMC) and the Brazilian Environment Ministry (MMA) which will assess the value of environmental services from Brazil's Protected Areas to the country's economy. This will also contribute to the international research study on The Economics of Ecosystems and Biodiversity (TEEB).

The UK Government acknowledges the importance of retaining UK expertise, but also on developing that expertise in the country where deforestation is occurring. Such capacity building through learning has a long term impact. Creating a small network of professionals in-country and internationally can also contribute to better in-country projects by boosting ability and capacity to influence wider strategic priorities in-country.

5. We welcome the Forest Carbon Partnership Facility and hope that it will influence thinking on how to reduce emissions from deforestation and forest degradation. If implemented effectively, the strategies that are developed under it could play a key role in helping rainforest nations shift to more sustainable land use. We are concerned, however, that action being taken under it could be undermining work the Government has done elsewhere to improve forest governance. In its response to this Report the Government should make clear what action it has taken to address these criticisms. (Paragraph 30)

We are very conscious of the need to ensure that work we do in one area builds on and strengthens existing work.

In this way we have been working to ensure that strategies developed under the FCPF address issues of forest governance and build on existing national and international initiatives, particularly learning lessons from the FLEGT process. Full and effective consultation of forest-dependent indigenous peoples, and other forest dwellers, in the development of strategies is vital. Assessment of the first Readiness Preparation Proposals under the FCPF recognise the need for governance issues to be addressed as thoroughly as possible and we will continue working with the FCPF Facilities Management Team and stakeholders to achieve this.

The Government is providing £15m to the FCPF which aims to provide US\$300 million split between a *Readiness Fund* (support for 37 countries to develop strategies to reduce emissions from deforestation and degradation) and a *Carbon Fund* (piloting payments to approximately 5 countries for reducing deforestation/degradation below an agreed level). The FCPF has been established, as have all the Climate Investment Funds, on the basis of equal representation of donors and recipients and in a pilot capacity. At the Participants Committee meeting for the Readiness Fund in June 2009, it was recognised that concepts of readiness, and the development of a strategy to reduce emissions from deforestation and degradation will need to evolve together. It was therefore agreed that Countries could enter into a Grant Agreement on the basis of a Readiness Preparation Proposal. This does not have to be a fully completed Plan but Countries will be expected to address outstanding issues and report on these to the Participant's Committee as they move forward.

6. We welcome the Government's wish to ensure that forest peoples' rights are recognised in the agreement at Copenhagen. We believe that eligibility for forest payments should be conditional on the protection of local communities. Commitment to a rights based approach might be evidenced by ratification of International Labour Organisation Convention 169 on Tribal and Indigenous Peoples; the UK Government should encourage rainforest nations to sign and ratify this treaty. (Paragraph 35)

The UK supported the Bali Action Plan (2007) commitment that the needs of local communities and indigenous people will be addressed when action is taken to reduce emissions from deforestation. We were pleased that the Conclusions at Poznan (2008) invited Parties and accredited observers to submit their views on issues relating to indigenous people and local communities for the development and application of methodologies. We will continue to support developing countries in working out how best to achieve transparent and consultative REDD strategies, including through piloting community-based approaches to forest management. We will also work within the

governance structures of the Forest Carbon Partnership Facility and Forest Investment Programme to promote the interests of local communities and indigenous people.

The UK is not planning to ratify ILO Convention 169 as there is no evidence that there would be any benefit to indigenous people in other countries by us doing so. However, we may encourage other countries with indigenous populations who would benefit to ratify ILO 169.

7. UK development assistance could increase greenhouse gas emissions and deforestation if not managed effectively. We urge DfID to ensure that the programmes and projects it funds bilaterally, including through arms length bodies such as CDC, and multilaterally, through organisations such as the World Bank, assist progress towards a low-carbon global economy and halt deforestation. We recognise that in certain cases projects that lead to managed increases in emissions and deforestation might be defended on development grounds; indeed many developing countries claim a right to increase their emissions because they are not responsible for current greenhouse gas concentration levels. But the need to reduce emissions, including those from deforestation, must now be included within developing countries' national development and growth plans; DfID should ensure that development assistance contributes to the development of a low-carbon economy. (Paragraph 40)

DFID share's the Committee's view that its development assistance should promote a low carbon economy. We are working to identify and support patterns of economic growth that break the link between rising emissions and economic growth. DFID has funded a number of low carbon growth studies in the larger emitting Middle Income Countries (MICs) through multilaterals and think tanks including China, India, Brazil, Mexico, Indonesia and South Africa.

DFID's investments, whether they are for agricultural, infrastructure or other developments, are subject to environmental impact assessments. Multilateral finance institutions such as the World Bank also have safeguard policies. In the case of CDC, its investments, including those through other investment funds, are guided by an investment policy and investment code. DFID sets these two frameworks and the Board of CDC oversees implementation and governance.

Further, a joint Defra/DfID initiative on Valuing Ecosystem Services will look practically at how ecosystem services can be incorporated into economic development decisions and support wider efforts to build capacity for environmental management in developing countries, including in climate change adaptation plans. The international TEEB report (supported by Defra and DfID) will provide advice that attempts to mainstream the consideration of ecosystem service values for national and international policy makers, regional and local decision makers, businesses and citizens.

8. We welcome the Joint Nature Conservation Committee's work on the UK's global impact on biodiversity. This, combined with the Foresight Project on Global Food and Farming Futures, must be used by the Government to identify how to reduce the deforestation that results directly and indirectly from UK demand for commodities. This work should consider the consumption of all imported commodities that affect deforestation. The Government should take account of and engage with work being done on these issues by the European Commission. (Paragraph 42)

We recognise that there is a need for a high quality evidence base to assess and highlight the real trade-offs made when converting forest land to alternative land-uses, and the effects of consumption on forests and other ecosystems. Projects like the JNCC's Global Impacts Programme, which integrate ecological and economic data, are key to developing this evidence base. We need to disaggregate costs and benefits between those who incur and receive them; gaining a full understanding of impacts allows Government to prioritise and to work out how to implement policy.

The Foresight Global Food and Farming Futures project is looking at how we can feed a future global population of 9 billion people healthily and sustainably. The project will look out to 2050 and take a global view of the food system, considering issues of demand, production and supply as well as broader environmental issues, including in relation to the wider externalities of production, consumption and the supply chain. Regional case studies are being commissioned to consider particular issues in more detail. For example a study is being commissioned from Brazilian experts to look at how this major food producing country might respond to future global food prices and what the consequences of this might be for land use, ecosystem services and biodiversity. Importantly, the project aims to catalyse substantial international action based on its findings. It is planned that the Foresight project will report by October 2010, and Government will work to ensure the relevant project findings are integrated into cross-Government strategies for tackling deforestation as they emerge.

We also acknowledge that efforts need to be targeted at both demand and supply side measures and the UK Government is working with business and Government partners nationally and internationally to develop and improve sustainability standards throughout product supply chains.

We recognise the important role of voluntary and mandatory sustainability standards. However, developing and agreeing sustainability standards is not a simple task, especially given the global and inter-related nature of food, fuel and other commodity markets—and the trade-offs between their various economic, social and environmental impacts. There remains much to be done to develop the scientific and economic evidence base for the full scale of the impacts associated with a range of commodities, and the greenhouse gas (GHG) emissions associated with both direct and indirect land use change. We aim to prioritise work to develop sustainability standards in those instances where there is potential for the most significant benefits.

For example, the UK Government has recently agreed to fund a collaborative project between the Roundtable on Sustainable Palm Oil and producers in South East Asia and big UK buyers. This will review, improve where possible, and increase take up of their

sustainability criteria, thus increasing production and consumption of sustainable palm oil—a major agricultural commodity.

The Government's work on developing its public procurement policy is a further pragmatic step forward in which the Government aims to influence markets, and learn through practice how standards can deliver the outcomes we want. The Committee has already noted the value of our timber procurement policy, and we are currently considering how it might develop Public Procurement Policies for other commodities.

We are also engaging in the EU, including through the Sustainable Production and Consumption Round Table on food, and will be working with the European Commission and private industry to develop a common methodology to measure the environmental impact of food and consider how this should be applied at the European Community level.

9. A fundamental reassessment of the way in which the global agricultural system functions is needed. It is critically important that the Government's response to the global food crisis includes strong support for a global change in sustainable land use and an end to deforestation. (Paragraph 49)

We are already looking closely at how we can promote sustainable land use in the global agricultural system. Our response to Recommendation 8 sets out some of this work, and the complicated issues with which we are dealing. We are additionally engaged in work around, for example, the Global Bioenergy Partnership to develop voluntary sustainability criteria and indicators (including in relation to food security) for bioenergy (see also our response to Recommendation 11), the responsible purchasing of timber by Government (Recommendation 14), and controls on the illegal timber trade (Recommendation 15). We are also involved in research strands to develop the evidence base to inform our work in this area, including the ongoing work of the Foresight project; research on the indirect impacts of biofuels on land use change; and on how we can increase global food production and productivity to meet global 2030 food needs in the most environmentally sustainable way (which we hope will inform the Foresight work).

10. While we welcome the Government and G8 response to the global food crisis and its call for a Global Partnership on Agriculture and Food, we are very concerned that the G8 has failed to address the need for sustainable production of agricultural commodities. It failed to act on agricultural subsidies, biofuel subsidies and other damaging trade-distorting measures. This suggests that the G8 countries are not committed to solving the developing ecological and food security crisis in a sustainable way. (Paragraph 50)

We welcome the report's acknowledgement that the UK government has been at the forefront of the international response to the global food crisis, leading efforts through the G8, the Global Partnership for Agriculture and Food Security (GPAFS) and other fora, to increase global food security. This approach considers short, medium, and longer-term responses, underpinned by sustainable natural resource management, and taking account of both climate change adaptation and mitigation including in terms of investment in water management infrastructure. The Government's recent International Development White Paper "Eliminating World Poverty: Building our Common Future" draws on this and sets out our future ambition.

We recognise that food security, natural resources, climate change and poverty eradication are inextricably linked. An integrated approach to development is needed, one that maximises these synergies and manages any necessary trade-offs between them. This will help us meet future food needs—including underpinning our own food security here in the UK—without undermining the natural resource base (including forest resources) and the ecological services that it provides and on which the poor are most dependent, many for their livelihoods.

In this context, July's G8 Summit set out commitments to help ensure a more food secure world, including through the promotion of sustainable agricultural development for which leaders committed to mobilise \$20bn over three years. GPAFS will be one mechanism to help achieve this. Leaders also recognised the need to work closely with developing countries to better integrate sustainable land management into national development and climate change plans, to further promote sustainable forest management with a view to reducing forest degradation and deforestation, and to continue efforts towards trade reform, including an ambitious, comprehensive and balanced conclusion of the Doha Development Round, to encourage more open and efficient markets.

We continue to develop the evidence base to inform our work in this area, including through the Foresight Global Food and Farming Futures project described above at Recommendation 8, and Defra has commissioned its own research into how we can increase global food production and productivity to meet global 2030 food needs in the most environmentally sustainable way, which we hope will inform the Foresight work. In addition, HMG's current research on the indirect impacts of biofuels on land use change will inform future policy.

11. We are concerned that the Renewable Transport Fuels Obligation and the Renewables Obligation are stimulating deforestation. Potentially damaging biofuels should not be promoted until the technology improves, robust mechanisms to prevent damaging land use change are introduced and international sustainability standards are agreed. The Government must ensure its policies do not stimulate or accelerate deforestation. (Paragraph 57)

The Renewable Energy Directive (RED), which contains an ambitious target for the UK to source 10% of its transport energy from renewable sources by 2020, also contains mandatory sustainability criteria which all biofuels must meet in order to be counted. These include achieving a greenhouse gas saving of at least 35%, and they must not be sourced from areas of high biodiversity such as rainforests or wetlands. The RED and the Fuel Quality Directive (FQD—which requires the UK transport sector to achieve a 6% reduction in greenhouse gas emissions by 2020) are expected to be transposed into UK law by December 2010, and we will consult on options for implementing them early next year.

The UK is committed to these targets but we realise that more needs to be done to ensure the sustainability of biofuels, especially regarding their indirect impacts. The UK is already at the forefront of the debate into sustainable, cost effective biofuels. We are one of the first to establish a reporting system into the sustainability of our biofuels and the Renewables Obligation now requires all biomass generators in the UK to declare certain sustainability reporting information—including country of origin. We are building on the EU sustainability criteria by chairing work in the Global Bioenergy Partnership to develop

voluntary sustainability criteria and indicators for bioenergy, including biofuels. The Government is also supporting the development of sustainable advanced (or next generation) biofuel technologies. We are also pursuing a comprehensive research programme to help us identify the “good” biofuels, those that do not cause environmental or social damage.

The European Commission needs to produce a report on indirect land use change in 2010, and review by 2014 whether the 2020 target can be met sustainably. The UK will be focusing its research efforts on trying to find a workable methodology for accounting for the indirect impacts of biofuels under the RED, to inform our policy at UK, EU and international levels.

12. It is wrong to apply sustainability standards to commodities used for biofuels but not for food and we recommend that the Government develops sustainability standards for all agricultural commodities. The Government should work on ending damaging agricultural subsidies in the EU and other developed countries so that standards can be agreed. A mechanism that rewards countries for not converting forests to agricultural use will make it possible to reach international agreement on sustainability standards. (Paragraph 58)

Many thousands of standards, benchmarks or comparative rating systems, for a huge range of commodities, products and materials, have been developed and publicised by national and international standard setting bodies, Governments or other parties. This has been essential to support many market interventions which drive sustainability, such as legal minimum standards, voluntary initiatives, fiscal measures, procurement standards and product labelling. The UK Government has supported the use of standards and benchmarks to improve agricultural sustainability through benchmarks which support industry standards for legal and sustainable timber, the EU Ecolabel e.g. for wooden and paper products and the Fairtrade label, as well as minimum legal standards for managing the environmental impacts of farming in the UK.

The Government has also been working with the British Standards Institute and the Carbon Trust to develop a Publicly Available Specification to measure embodied greenhouse gas emissions which can be applied to food and drink products, and most UK supermarkets also require producers to supply food which is produced to the standards laid down by Assured Food Standards or Global G.A.P., which includes standards for the working conditions of agricultural labourers). Some supermarkets produce their own supplier protocols to ensure food safety and environmental benefits. We are looking into ways that the Government might support more rapid progress in supermarkets decreasing the levels of deforestation which might occur as an indirect result of purchasing policies, for example on palm oil through the Roundtable on Sustainable Palm Oil (see response to Recommendation 8).

Further, we have prioritised work to develop sustainability standards for biofuels, which have been specifically developed to reduce reliance on fossil fuels and which need to be genuinely sustainable if they are to appeal to potential consumers.

We acknowledge the significant environmental benefits to be gained through sustainable agriculture. The UK will continue to push for further reform of the Common Agricultural

Policy so that farmers are free to produce in response to market and consumer demand, with future CAP expenditure focused on securing from EU farmers environmental benefits which would not otherwise be delivered under market conditions. The CAP should be non-distorting of international trade and the world economy and provide for an agricultural sector which is sustainable, without reliance on subsidy or protection. The sector must be truly competitive, providing consumers with safe, good quality, nutritious food which they can afford and which they can trust.

Finally while the UNFCCC process is not, in itself, tasked to develop or endorse sustainability standards for commodities, our work towards agreeing a mechanism to reward countries for REDD will create incentives to move away from unsustainable practices in favour of behaviour that benefit the forests, by recognising the value of the full range of services they provide.

13. Three years ago we called for legislation to ban imports of illegal timber. No ban was introduced and illegal timber remains an unacceptable part of the UK timber trade; it is possible that the UK is one of the world's largest importers of illegal timber and illegal timber products. This failure to ban illegal timber means that the UK is undermining efforts to improve forest governance and contributing to deforestation and its associated emissions. (Paragraph 61)

The Committee is right to stress that the trade in illegal timber is an unacceptable, and that the UK has a central role, along with other major consumer countries, in developing policies to tackle this trade. We fully support the Committee's findings that that any proposed REDD framework will only deliver its objectives if the UK puts in place strong, demand side measures to tackle the problems of illegal logging and deforestation.

The UK remains committed to working within the EU in taking forward the FLEGT process. We are pleased with the signing of the first two Voluntary Partnership Agreements (VPAs) since the launch of the Inquiry. DFID has since committed £6.5 million for the implementation of the VPA with Ghana. The Government will continue as key player in the EU process to take this work forward.

The European Commission's proposal for a new EU Due Diligence Regulation to tackle the illegal trade continues to be discussed by EU Member States and the European Parliament. The UK government consulted on the proposal in May this year. Responses to this consultation confirmed broad support for measures to put in place demand side measures to tackle the illegal trade in a proportionate and targeted fashion. The UK will work with the Swedish Presidency of the EU, taking account the range of views on the proposal, in efforts to reach political agreement to the proposal in EU Council by the end of the year. Further, the UK has also tabled a proposal for a prohibition on the first-placing of illegal timber on the European Community market, with the aim of strengthening the Regulation.

14. The Government has a policy framework to ensure the procurement of legal and sustainable timber by central government but it has been poorly enforced. We welcome Defra's development of a timber monitoring and tracking system to address this problem; an effective system is needed across Whitehall at the earliest opportunity. The Government should consider introducing penalties to motivate departments and companies to implement policy. The Government must also insist that local authorities and the wider public sector adopt timber procurement policies. (Paragraph 66)

The Government agrees that responsible purchasing of timber is an important step in tackling deforestation and climate change. Defra published in July 2009 the timber reporting pilot study (<http://www.proforest.net/cpet/implementation-in-practice/timber-reporting-pilot-study>). The study recommended that:

1. Reporting on timber for all major construction projects (new builds and refurbishment over a threshold value) should be compulsory (section 4.1) and
2. For all other timber and wood products not purchased for a major construction project, that the relevant body would be required to operate an appropriate system of internal spot-checks and audits, supplemented by an external programme across government (section 4.2).

Defra will be following up on the recommendations and views the report as a key step towards setting up reporting and monitoring systems, which will play a key part in Defra's strategy to implement the UK Government's revised timber procurement policy that came into force on 1 April 2009. We will consider the issue of possible penalties within this context.

We are also implementing an awareness raising campaign targeting all central government departments and key public sector projects related to timber use, such as Building for the Future. We are also supporting work to engage Local Authorities to develop and implement a responsible timber procurement policy through the Central Point of Expertise on Timber (CPET), WWF UK and the UK Timber Trade Federation. A newly developed toolkit, a helpline and training to assist Local Authorities is available free from CPET.

In addition Defra is working closely with the Olympic Delivery Authority (ODA) who have set high and rigorous timber procurement standard and created a Timber Supplier Panel to ensure that only legal and sustainable timber is used during the construction of the London 2012 Olympic and Paralympic Games venues and infrastructure.

15. We support the Government's desire to strengthen the current EU proposals on control of the illegal timber trade. The Government must work with the EU to make it an offence to place illegal timber and timber products onto the market and to introduce robust sanctions to enforce these rules. (Paragraph 70)

As set out above, the UK included a proposal for a prohibition on the first placing of illegal timber on the EU market as part of our public consultation on the Commission's proposal. This proposal received a great deal of support from a range of stakeholders, although others expressed concern about the impacts of such a prohibition on certain operators. We will take forward discussions on this proposal in a manner which respects these concerns.

The UK believes that the additional inclusion of a prohibition will not, per se, increase the general cost of implementing the Regulation for operators.

The Government reiterates that a prohibition on the first placing of illegal timber on the EC market will only be successful if it is agreed by a range of players, not least other EU Member States and the European Parliament. We will continue to work to convince others of the importance of strengthening the Regulation in this way.

The Government also acknowledges the importance of robust penalties and an enforcement regime if the Regulation is to meet its stated objectives. We commit to further discussions on this issue as part of our implementation of the Regulation, once agreed.

16. A system to pay for sustaining forests is vital. But such a system could be counter-productive if it allowed developed countries to continue emitting unsustainable levels of greenhouse gases or if it diverted funds away from projects that enable developing countries ‘leap-frog’ carbon intensive development. (Paragraph 78)

We agree that including forestry in a global deal should not be a way of avoiding action to de-carbonise either developed or developing economies—we are seeking the most ambitious deal we can achieve in Copenhagen. Domestic abatement has to account for the bulk of developed country effort and we need to ensure that financial flows from the carbon market continue to support low carbon development in developing countries. This will require stringent targets for developing countries and a staged approach to ensure the introduction of forestry credits into the carbon market does not undermine the global carbon price.

We welcome the European Commission’s leadership and the December Environment Council Conclusions which suggests that a new market mechanism for forest credits should be established on a trial basis and deforestation credits could be valid for government compliance with post 2012 commitments.

17. We do not believe that a forest payment system based on carbon markets will avoid these problems at present. Forest credits should not be allowed in the EU Emissions Trading Scheme at this stage and should be considered only in the future after the impact of such credits has been tested. (Paragraph 79)

While we think there is an important role for carbon markets in the longer term, we agree that we should not bring forest credits into company based trading schemes at present. However as capacity develops, rules on the amount of forest credits that can enter the market can be used to ensure the market is not destabilised. We therefore welcome the provision contained in the EU Emissions Trading Scheme Directive for new crediting mechanisms under an international agreement. This gives the flexibility to include credits from avoided deforestation and other land use activities in future phases of the EU ETS, once we have measurement, reporting and verification provisions in place, an understanding of the effect on carbon prices and long-term commitment to reduce emissions from deforestation and forest degradation.

18. The Government must suggest ways to pay for sustaining forests. These should include non-market funding sources, such as the hypothecation of a percentage of EU Emissions Trading Scheme revenues and how forest credits could help to meet non-traded sector emission targets. (Paragraph 80)

The Prime Minister made a proposition that all countries should work toward raising finance to combat climate change, including avoiding deforestation, to a level of around \$100bn per year, derived from multiple sources, including both public and private funds and carbon markets. He has proposed that some of the public finance could come from a limited amount (up to 10%) of official development assistance where it clearly meets both poverty reduction and adaptation or mitigation objectives. The rest would come from a combination of new and additional sources of finance. The UK would be willing to support the approach proposed by Norway, which is an “automatic” mechanism for generating predictable and credible flows of international public finance by auctioning a small proportion of international emissions allowances.

The funding needed to meet the EU’s target of halving deforestation by 2020 is estimated by the EU Commission to be in the range £10 billion to £20 billion a year. Meeting this need will require a range of funding sources and instruments.

Public funds could also be used to encourage private sector finance into sustainable forest enterprises by sharing the risks to private investors through public-private partnerships.

We will work to build consensus on options for payments for forests, including through the Informal Working Group on Interim Finance established following a meeting of world leaders hosted by his Royal Highness the Prince of Wales on 1 April 2009. The aim of the Working Group is to examine interim financing needs, mechanisms and architecture to help address tropical deforestation with the aim of delivering a final report to inform the Copenhagen climate negotiations in December.

19. In the search for a suitable mechanism to pay for forests, the Government must also examine the supply- and demand-side issues we have identified. A forest payment mechanism by itself will not stimulate the necessary governance reforms in all countries. The Government must consider how to link payments for forests to reform of governance in rainforest nations. It must also act bilaterally to build capacity and the necessary institutions in rainforest nations. Rainforest nations with severe governance problems will find it extremely difficult to reduce emissions and they could be rewarded for making verifiable efforts to develop independent judicial systems and reform legal, fiscal and land tenure systems that will help halt deforestation in the future. (Paragraph 81)

A payment mechanism for REDD has yet to be agreed by the UNFCCC but we anticipate that there will be three phases in the development of such a mechanism:

- An initial phase where funding is provided based on a country’s commitment to develop a national REDD strategy, and to support the necessary capacity building required for implementation;

- A second phase where funding is provided to implement policies and measures that reduce emissions and progress is based on proxies such as the trend in area of deforestation;
- A third phase where payments are made on the basis of measured reported and verified results.

The second phase of implementation of policies and measures provides the main opportunity for developing the linkages between payments and governance reforms. Capacity building as part of phase one could also provide support for the development of frameworks and for taking forward reforms. We are working through the IWG-IFR to develop ideas on how the phases can be funded until an agreement is reached under the UNFCCC.

DFID is supporting governance reforms in a number of rainforest nations, primarily through its Forest Governance and Trade Programme, linked to the EU FLEGT Action Plan 2003, but also in other ways. FLEGT and REDD are concerned with the same set of constraints: market failures, lack of institutional capabilities, weak regulatory capacities and corruption. Both require: inclusive multi-stakeholder planning processes; clarification of resource rights and tenure and avoidance of negative consequences for local communities; strengthening of law enforcement and judicial systems; credible means of reporting and verification which build buyer confidence; and control of international leakage.

20. We recommend that payments to forest nations to reward reforestation, afforestation or avoided deforestation are designed to protect primary and natural forests. Biodiversity safeguards should be built into any agreement reached at Copenhagen in December. Restoration, reforestation and afforestation will also be significant contributors to halting dangerous climate change and should receive significant support. Balancing these objectives without making a scheme that is so complex that participation is discouraged is the key dilemma in drawing up any international agreement. (Paragraph 88)

Reducing deforestation and degradation has real potential to deliver a positive impact on biodiversity. Primary forests are generally more carbon dense, biologically diverse and resilient than other forest ecosystems. The December EU Council Conclusions supported the use of gross deforestation rates. This would include only primary forest in a country's avoided deforestation reference level and so prevent simply chopping down trees in one area and replanting in another. Action to reduce forest degradation, plus afforestation and reforestation would be counted additionally.

The Bali Action Plan recognised the relevant provisions of the Convention on Biological Diversity (CBD) as well as other relevant international environmental agreements and we are seeking language in the Copenhagen agreement to ensure that the maximum environmental benefits of paying for the carbon mitigation services of forests are achieved.

The UK has been leading the way in looking at this. Dr Bob Watson, DEFRA Chief Scientist, chaired a meeting of experts on biodiversity and climate change convened under the Convention of Biological Diversity (CBD), to provide biodiversity-relevant information to the UNFCCC. The first part of this work was presented to the UNFCCC in Poznan, and the main messages from the second meeting were made available to the UNFCCC SBSTA

in June 2009. A final, peer reviewed report, will be submitted to the UNFCCC in Copenhagen.

Finally, the UK recognises the important role of forest restoration in tackling climate change and achieving sustainable development goals and has been actively promoting this globally. The UK, with IUCN and WWF are founder members of the Global Partnership on Forest Landscape Restoration (GPFLR) which was formally launched by the UK Government in 2003. Its aim is to promote a responsible approach to the use of forests in the restoration of degraded land. The aim of this approach is to benefit both communities and the natural world. A number of governments, the World Bank and the FAO are members of the partnership. We will be exploring the opportunities for Forest Landscape Restoration to contribute even further to achieving climate change mitigation and adaptation objectives over the coming months.

Department for Energy and Climate Change, Department for Environment, Food and Rural Affairs, and Department for International Development

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

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Fifth Report	Reducing greenhouse gas emissions from deforestation: No hope without forests	HC 30 (HC 1063)
Sixth Report	Greening Government	HC 503 (HC 1014)

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Eighth Report	Emissions Trading: Government Response to the Committee's Second Report of Session 2006–07 on the EU ETS	HC 1072
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Twelfth Report	Transport Emissions: Government Response to the Committee's Ninth Report of Session 2005–06 on Reducing Carbon Emissions from Transport	HC 1718