

PRIME MINISTERTROPICAL FORESTS

You recall that Alan Walters came up with the idea that the industrialised countries should pay an annual rent per hectare for existing tropical forests, to give developing countries an incentive to stop deforestation.

The idea has now been examined by the Cabinet Office Climate Change Group under Richard Wilson. Their report is attached, together with a minute by Lynda Chalker, and notes by the Policy Unit and the Cabinet Office.

There are a number of practical questions:

- how do you determine the rent? The answer is that, to provide an incentive, it has to be enough to exceed the value of the land in alternative use. The upper limit would be set by reference to the cost of reducing carbon dioxide emissions by an equivalent amount by other means.
- what do you rent? The choice is between renting the entire forest area in a particular country, or only that part of it at risk of being destroyed. The cost of the former is obviously a lot more than the latter. But if you rent only selected areas, then the other areas are more likely to become a target for deforestation: and the whole business of identifying the at risk areas would be cumbersome and contentious.
- how do you avoid a rip-off? The simpler the scheme, the more likely the developing country to make hay at our expense, without doing much to control the rate of deforestation. There would have to be a system of performance contracts, with a steep rate of penalty if forests were not in fact ^{conserved} ~~pressured~~.
- how do you monitor whether the forests are actually being conserved and there is no surreptitious deforestation?

Experience so far with satellites is not very good. Monitoring on the ground would be difficult and would raise questions of sovereignty.

- can developing countries actually control what happens anyway? Some of them - eg Zaire - would find it very difficult: they do not have much idea of what is happening in the remoter parts of their territory.
- can we afford it? It depends what we undertake. The estimate is that if we (United Kingdom) rented 7 per cent of the global area at risk, it would cost us £25 million a year. Over 7 per cent share of a scheme covering all tropical forests would cost us £500 million within a year.
- would developing countries accept a scheme? Well certainly you could not force them, and some might see it as infringing their sovereignty.
- would other industrialised countries join a Scheme? They might: but there are other ways to help eg through direct bilateral aid for forest management: and the countries with tropical rainforests are not all the most deserving in traditional aid terms.

All these are questions which need further thought. For now, the main question is: do you think there is enough merit in the idea to warrant further work, to keep open the possibility of your proposing a scheme at the forthcoming UN General Assembly?

Yes - but I doubt whether the results would be enough in time for the U.N. vote

The argument is that you could present it as a major new initiative, which would earn us a great deal of political credit. That is no doubt true. At the least you could propose a pilot scheme for a handful of countries with which we have close links

- Ghana, Belize, Cameroon, Nigeria .

On the other hand:

- we have a good record on tropical forestry already, and you can make much of this in the UN speech. You don't have to have an idea.
- the scope for spending an awful lot of money, much of which would be misapplied by corrupt and/or incompetent governments, is pretty considerable.

But I would have thought it was certainly worth further work, before we reach a decision either way. We need an initiative for your UN Speech.

Agree to further work?

C.D.P.

Yes Mr

C. D. POWELL

13 October 1989

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Prime Minister.

- (i) This seems to need a lot more work. The range of potential costs is enormous
- (ii) It is essential to make payments performance related. Simply paying on the area of forests is bad value. If clearance is 0.8% a year, the government of the country concerned could simply allow the trend to continue unabated and still be collected 92% of the original rent in 10 years time.

AT 13/10

The scheme could not
be ready for U.N.

To pay for forest
management in a particular
area is a much better idea
Mr