

Env Affairs

Acid Rain

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## GLOBAL CLIMATE: FOREST SERVICE CHARGES

I understand that Mrs Chalker will be minuting the Prime Minister tonight with a progress report on the forestry aspects of climatic change.

2. Her minute will cover a paper by ODA officials which has been discussed in the interdepartmental group which I chair. The paper builds on the proposals put forward by Sir James Goldsmith and subsequently developed by Sir Alan Walters for a scheme under which developed countries would pay service charges or rents to developing countries for the preservation of their forests. The aim would be to give the Governments of the developing countries concerned an effective incentive to reduce or halt deforestation, and make a contribution to mitigating the greenhouse effect.

3. The main question at this stage is whether the Prime Minister wants more work to be done on the scheme, to keep open the possibility that it might form part of her forthcoming speech to the United Nations General Assembly. If so, the Prime Minister will want to ask Mrs Chalker to commission further work and make detailed proposals which she can consider later in the month.

## NATURE OF THE SCHEME

4. The scheme which is emerging from official discussions would have the following main elements.

i. Each developed country participating in the scheme would identify developing countries with forests which were at risk but could realistically be protected. It would offer to enter into agreements with the Governments of those countries for the preservation of specified areas of forest.



ii. In return for preservation of the forest, the developed country would offer annual payments of "rent" or "service charge". The size of the payment needs further work but would probably be arrived at by negotiation, subject to certain rules of thumb: for example, we would not want to pay more than would be required to achieve a similar reduction in carbon emissions by a different route.

iii. The annual payments would be subject to a steep rate of penalty if the relevant forest was not in fact preserved. For example, if 5% of a forest area was believed to be at risk, 20% of the payment might be abated for each 1% of forest destroyed. This would give recipient Governments a strong incentive to take effective measures against deforestation.

iv. Compliance would be measured by an agreed programme of satellite monitoring, backed up by ground monitoring as necessary. Payments would be made in arrears for each year, when the monitoring data were available.

v. There would be a minimum of other conditions on the money. It might be necessary to impose humanitarian conditions, to ensure that recipient governments did not take repressive measures against local populations. But there would be no conditions, for example, on the use to which the payments were put: that would be a matter for the recipient.

#### POSSIBLE ANNOUNCEMENT

5. This scheme envisages a concerted programme by a number of developed countries. But any announcement at the United Nations would need to concentrate on what we were prepared to do. The Prime Minister might want to say that the UK proposed to seek agreements with a number of developing countries with which we





have existing relationships, and that we hoped other developed countries would follow our lead. We could not be certain of a favourable response, but a bold lead of this sort might offer the best chance of getting one and would establish us in a leading position internationally.

#### MAIN ISSUES

6. The Prime Minister will want to consider whether to make such an announcement part of her speech to the General Assembly. Some of the key issues are:

- i. the absence of the strings, for instance on the buying of British goods, commonly associated with aid.
- ii. how the scheme would relate to the existing Tropical Forestry Action Plan (TFAP). That programme provides specific aid and assistance to third world countries to develop their capacity for sustainable forest management. The new scheme might be presented as a holding measure, complementary to the longer term aims of TFAP.
- iii. how third world governments might react to the scheme. The important point here is that no country would be obliged to enter into an agreement if they did not want to.
- iv. how other developed countries might react.

#### Public expenditure implications

7. A scheme would have public expenditure implications. Some fairly substantial figures (several £100m per annum) have been mentioned in official discussions but they could be offset in part at least by reductions in other parts of the aid budget. They are anyway based on the assumption that the UK would want to enter into agreements in respect of 7% of third world forests (roughly our share of developed countries' GDP) and that we would need to pay the net economic costs of leaving potential



agricultural land under forests. These assumptions are probably too pessimistic. The real issue is what deal we could negotiate with third world Governments, and it seems likely that they would accept lower payments than have been assumed. In any case there is no need to enter agreements for a full 7% of forests at the outset.

8. The best approach might be to set aside whatever budget we could afford and seek to negotiate deals which provided the greatest possible benefit within that limit. Since payments would be made in arrears, no expenditure is now likely to be incurred before 1991/92 at the earliest. Nevertheless the costs of the scheme would probably need to be considered in next year's Survey at the latest.

#### CONCLUSION

9. The Prime Minister will want to consider Mrs Chalker's minute and the ODA paper in the light of these considerations and decide whether she wants further work done towards an announcement in her speech to the General Assembly. The final decision could then be taken when she gets back in the light of further work .

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