



10 DOWNING STREET
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From the Private Secretary

3 November 1989

CLIMATE CHANGE: FOREST SERVICE CHARGES FOR CARBON LOCK-UP

Thank you for your letter of 2 November giving Mrs. Chalker's further reflections on the idea of a forest rental scheme. The Prime Minister shares the conclusions which Mrs. Chalker has reached, and agrees that we should not pursue the idea further at the present time.

It was useful to have the further drafting suggestions for the Prime Minister's speech. I will arrange for you to see the latest draft once the Prime Minister has herself had a go at it.

I am copying this letter to Bob Peirce (Foreign and Commonwealth Office), Roger Bright (Department of the Environment), John Gieve (HM Treasury), Andy Lebrecht (Ministry of Agriculture, Fisheries and Food), and Trevor Woolley (Cabinet Office).

C.D. POWELL

Myles Wickstead, Esq.,
Overseas Development Administration.

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bc PC

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cc. A. C. U. S. E.

OVERSEAS DEVELOPMENT ADMINISTRATION

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Prime Minister

*Agree not to
pursue the forest
rental scheme?*

From the Private Secretary

Charles Powell Esq
Private Secretary
10 Downing Street
London
SW1A 2AA

2 November 1989

CDD 2/11

Dear Charles,


Yes no

CLIMATE CHANGE: FOREST SERVICE CHARGES FOR CARBON LOCK-UP AND PRIME MINISTER'S UNGA SPEECH

I refer to your minute of 15 October to me setting out the Prime Minister's views on the ODA paper which examined the idea of paying a service charge on existing tropical forest areas in developing countries, and to your minute of 30 October to Roger Bright, saying that the Prime Minister would like to announce a further expansion of our assistance to forestry through the Tropical Forestry Action Plan. Mrs Chalker has also seen Mr Haddrill's letter of 27 October to you.

Mrs Chalker has considered further the idea of a forest rental scheme and believes that this should not be pursued further at the present time. Her reasons for this are:

- i) any rental scheme would involve substantial deadweight expenditure regardless of the extent to which it was effective in reducing the rate of deforestation;
- ii) for much of Africa and Asia in particular (and for the countries we are most closely associated with) Mrs Chalker believes that one can only stop deforestation by tackling the underlying associated problems of population pressure, poverty and agricultural practices;
- iii) the problems of monitoring would be substantial: not only would it be technically difficult and have to include ground-truthing, but she believes that the administrative and political difficulties associated with agreeing how much should be paid each year have been underestimated.

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- iv) we do not yet have a clear idea of what we should be prepared to pay as a rent to conserve forests purely for carbon lock-up. Mrs Chalker agrees with the Department of Energy that we should not embark upon a scheme that cannot be demonstrated to be cost-effective compared to other ways of reducing carbon emissions such as increased energy efficiency.

Mrs Chalker agrees with the Prime Minister that it would be a better use of money to assist with forest management directly. However Mrs Chalker believes that we should not lose sight of the basic ideas behind Sir Alan's scheme. She believes that it is important to give developing countries an incentive to manage their forests. She believes that this can be achieved through offering to provide assistance for forestry. She also believes that it is important that the assistance we provide is effective in achieving its objectives, that progress should be carefully monitored, and that continued assistance should depend upon satisfactory performance.

As regards announcing a further expansion of our assistance to forestry, Mrs Chalker is content that the Prime Minister mentions a figure of £100 million which we would expect to commit over the next three years on the forestry initiatives which we are already working up.

On the assumption that this approach is acceptable to the Prime Minister, I have sent to Roger Bright suggested redrafting of the forestry paragraphs (attached) for the Prime Minister's speech. Mrs Chalker is particularly concerned that the concepts of reinvesting in the world's forests and the revitalising of the TFAP are retained. The TFAP is the most effective vehicle for tackling tropical forestry but it needs an overhaul so that it properly addresses policies as well as projects. The Prime Minister's call for this in her speech will give this process the critical political impetus.

Mrs Chalker also believes that the speech should place greater emphasis on energy efficiency, which makes sound economic sense as well as being relevant to climate change issues. It is in the interests of all countries, including developing countries, to tackle energy efficiency more rigorously. Again we will let the DOE have drafting suggestions.

I am copying this letter to recipients of your minute of 30 October to Roger Bright.

*Yours sincerely
Myles A. Wickstead*

M A WICKSTEAD
Private Secretary

BP
RB
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