

An Introduction to RSPO-approved Mechanisms for HCV Compensation

Options, Examples and Future Trends

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SUSTAINABILITY
WHAT'S NEXT?

Purpose

- Options & examples of HCV compensation
- Strengths & weaknesses
- ‘Informed Speculation’ of future trends

NOTE: Compensation is designed to redress past non-conformance, without encouraging or creating loopholes for future non compliance.

Remediation vs Compensation

Remediation

Measures taken to restore ecological function *where planting was carried out in areas prohibited by RSPO*. Measures may include promoting natural succession or active replanting of native species.



Remediation vs Compensation



Compensation

Measures taken and/or funds made available to compensate for past clearing of land without prior HCV assessment. **Compensation measures go beyond those taken for remediation.**

Remediation vs Compensation

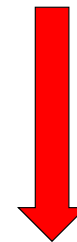
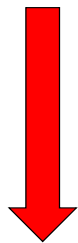
Remediation

Close Gaps with BMP

+

Compensation

Account for Impacts on HCVs



Integrated Plan to Close Out Past Non Conformance

Six High Conservation Values

- HCV 1** Concentrations of biodiversity
- HCV 2** Large natural landscapes
- HCV 3** Rare or endangered ecosystems

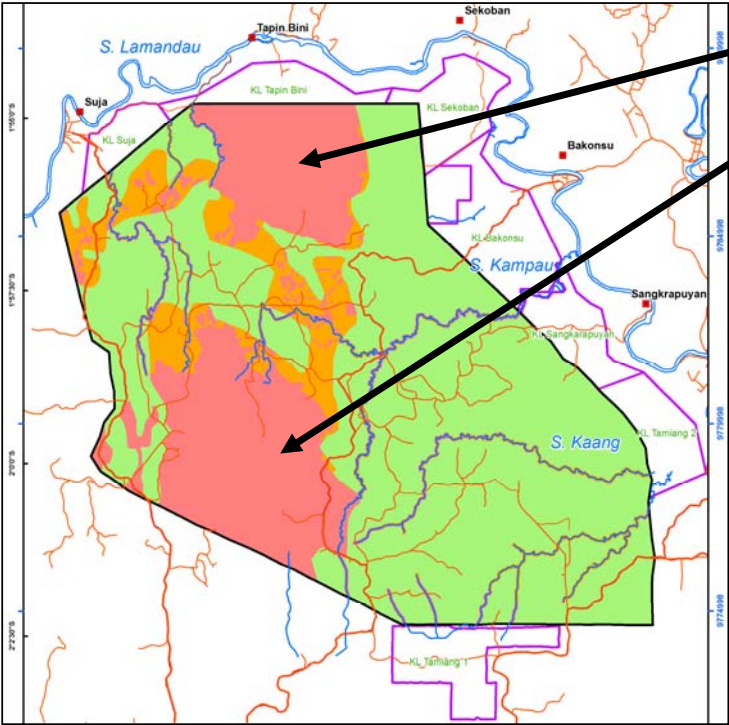


- HCV 4** Critical environmental services of nature

- HCV 5** Basic needs of local communities
- HCV 6** Cultural identity of local communities



Determining the Compensation Liability



675 ha Cleared without prior HCV



347 ha After LUC adjustment



Now what ?

Hypothetical Plantation

Two Options for Compensation

Option 1 → AREA UNITS of liability

- Take action to secure and manage or restore an area to conserve biodiversity, inside or outside the management unit, across an area equal in size to the liability



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Approved projects/programs must deliver outcomes that are

- Additional
- Long-lasting
- Equitable
- Knowledge based

EXAMPLES. Option 1 – Area Based

1.1 – On-site or Off-site Avoided Deforestation or Degradation



EXAMPLES. Option 1 – Area Based

1.1 – On-site or Off-site Avoided Deforestation or Degradation

- Securing natural forest allocated for conversion (= planned forest loss)
- Reducing degradation in areas suffering degradation (e.g. logging, fire)
- For example:
 - Ecosystem Restoration Concession (ERC) in Indonesia (off-site)
 - Forested non-HCV areas approved by assessors for conversion (on-site)

EXAMPLES. Option 1 – Area Based

1.1 – On-site or Off-site Avoided Deforestation or Degradation

Pros

- More cost effective to save natural habitat than to recreate it
- Creates opportunity for cross-company collaboration in the same site

Cons

- The counterfactual - when is avoided deforestation / degradation additional ?
- Company must create the site itself (off-site)
- On-site 'conservation areas' not currently an option under Indonesian law

EXAMPLES. Option 1 – Area Based

1.2 - Off-site Restoration and Management of Protected Areas



EXAMPLES. Option 1 – Area Based

1.2 - Off-site Restoration and Management of Protected Areas

- Replanting native species to restore degraded areas of national parks or other conservation areas, actively managing
- Contributes directly to conservation value of areas established for conservation purposes
- Requires collaboration with local authorities

EXAMPLES. Option 1 – Area Based

1.2 - Off-site Restoration and Management of Protected Areas

Pros

- Leverage restoration investment for larger impact on adjacent protected forest

Cons

- Slow accrual of conservation value as trees grow and forest regenerates
- Effective restoration is expensive and (can be) logistically complex
- Requires effective local collaboration

EXAMPLES. Option 1 – Area Based

1.3 - On-site Restoration



Note: Must go beyond replanting required for Remediation



Planting native species

EXAMPLES. Option 1 – Area Based

1.3 - On-site Restoration

Pros

- Management control is high
- Legal basis is strong

Cons

- Very expensive
- Very slow accrual of conservation value

Options for Compensation Projects

Option 1 → AREA UNITS of liability

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Option 2 → MONETARY UNITS of liability

- Make investments in projects or programs that contribute to achieving defined conservation objectives, inside or outside the plantation

EXAMPLES. Option 2 – Monetary Based

■ Protected Areas and Species. Direct financial support mobilized for habitat restoration and management of protected areas or species.

■ Site-based Conservation. Direct monetary contributions for site-based conservation activities including bio-banks, community conservation areas and community projects.

■ Capacity Building of 3rd Parties. Investments in capacity building of other parties including communities designed to strengthen and encourage biodiversity conservation.

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EXAMPLES. Option 2 – Monetary Based



Critique of Option 2 – Monetary Based

Pros

- More options to fund effective conservation
- Could invest in capacity building for local communities
- Conservation effort potentially aggregated and directed at single sites

Cons

- Challenges to ensure investments are commensurate with scale of liability
- Challenging to track how compensation programs succeed
- Company involvement is limited

Future Trends

- ***First Movers***

- Advantage vs Disadvantage
- Turbulent learning, shifting goal posts

- ***Court of Public Opinion***

- ***RSPO member cooperation***

- Aggregating compensation efforts, reducing cost, improving outcomes

- ***Integrating Project types, focused on same area***

- E.g. avoided deforestation, monetary support for training, on-site restoration

Thank You