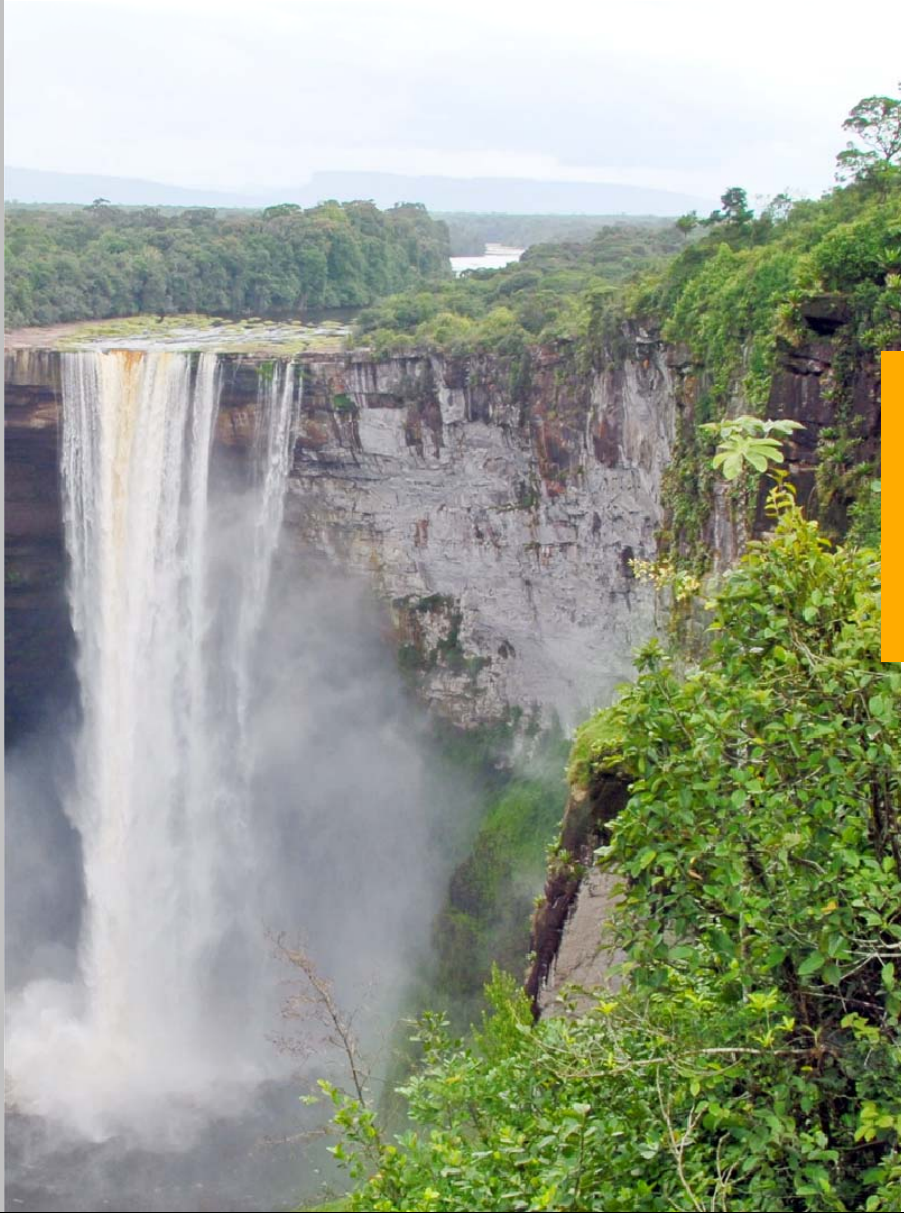


Making low carbon growth a positive development choice: The Guyana REDD+ Investment Fund (GRIF)

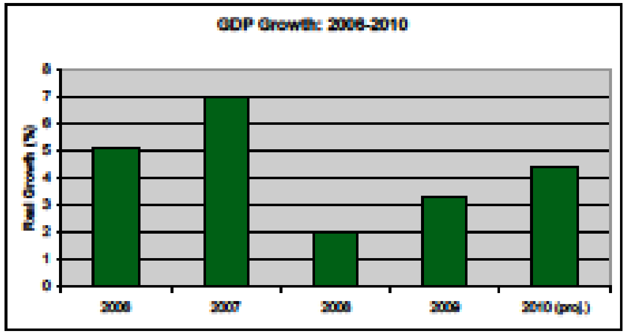
Guyana’s Low Carbon Vision

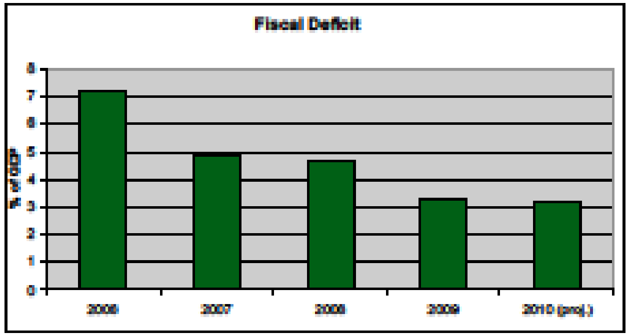
The Low Carbon Development Strategy

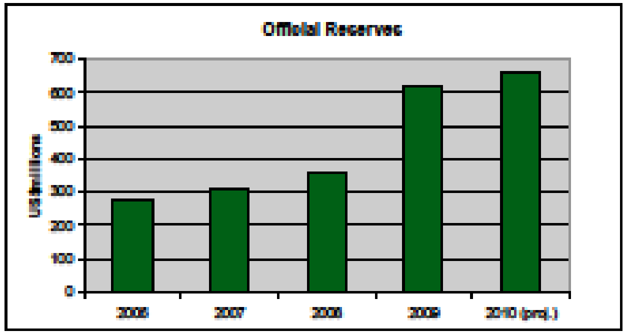
LCD must be a positive development option if it is to succeed

Key Lessons for greening economy (or bank)

Guyana faces new economic choices.







Climate Change is a reality.

Guyana's forest sits at the intersection of two global forces many view as incompatible: economic development and climate change mitigation

Economic development

- New economic opportunities are emerging in Guyana, including globally increasing prices for commodities
- The Government needs considerable resources to deal with climate change
- However, unconstrained economic development could endanger Guyana's standing forests and natural environment

Done poorly, development could cause deforestation

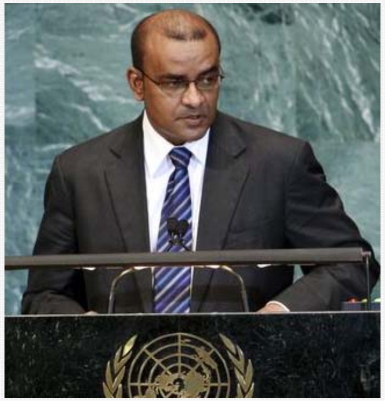
Climate change mitigation

- Greenhouse gas concentrations are rising to levels scientists associate with dangerous climate change, driven by rising energy consumption and deforestation
- Without action on REDD+, it will be impossible to avert catastrophic climate change.
- Guyana's 18 million hectare forest can provide part of the answer on REDD+

Done poorly, climate policy could stunt development

In 2007, President Jagdeo set out a vision to reconcile his vision for Guyana with the world's fight against climate change.

"We don't want to just complain about climate change – we want to do something about it… If the right economic incentives are created, I believe that the people of my country will be prepared to do two things: (i) we can sustainably protect the majority of our rainforest, thereby providing the world with essential climate and bio-diversity benefits and (ii) we can invest revenues for forest climate services to enable us to leap-frog the high carbon development path that today's business-as-usual trajectory suggests we must follow… If we are successful, we can provide a model for the world that national development and combating climate change can be compatible, not competing, objectives"



– His Excellency Bharrat Jagdeo

President of Guyana

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A 15 month national consultation, in which 10% of the population directly participated, resulted in Guyana's Low Carbon Development Strategy.

Guyana's LCDS sets out 8 "building blocks" that are needed for a successful international partnership on LCD

For forest countries, LCD must help generate a
<u>Willingness to Participate</u>
by making REDD+ a positive development option

- Support of the population
- Sufficient Economic Incentives
- Funds are accessible and flexible
- No excessive financial or administrative transaction cost

- Genuine Emissions Reductions
- Time-bound, limited public funding
- International safeguards / standards
- Compatible with Low Carbon Development

For contributing countries, LCD must generate a
<u>Willingness to Pay</u>
by making LCD a positive carbon and public finance choice.

Guyana's US$250 million bilateral deal with Norway is making REDD+ and the implementation of the Low Carbon Development Strategy a reality.

- **Guyana provides verified deforestation "credits" at US$5 / tonne.**

- **Payments are used for public investment, or to catalyse private investment into low carbon opportunities.**

- **For example, investments in the period to 2015 will:**
  - **enable Guyana to catalyse US$700 million of private money into a hydro-power project that will eliminate 92% of energy related emissions.**
  - **complete the process of land titling for all indigenous communities that request this**
  - **provide solar energy for 20,000 households in the hinterland**
  - **expand Guyana's digital infrastructure**

- **Guyana and Norway have deliberately designed the partnership to identify and hopefully solve, many issues which are internationally relevant.**

Public support for the LCDS and REDD+ is high…

…but there are major challenges.

KH2

Slide 12

KH2 Newspaper cartoon. There have been many like this.
Kevin Hogan; 30/03/2011

KH1

…but there are major challenges.

Slide 13

KH1 Note: this is the miners, protesting against the LCDS and Norway deal. Believe that deal intends to shut down their livelihoods.

They shut down an entire town.

Has been described as the largest private sector march in the country's history - but I am not sure of that.
Kevin Hogan; 30/03/2011

…but there are major challenges.

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The alternatives to REDD+, in many people's eyes, are better for the country. Correcting the market externality is vital – and this is what the deal with Norway seeks to address for the land use sector.

Climate Risk only part of the investment decision for major infrastructure. Other risks are more expensive – sovereign, reputational, climate PR.

There is scope for significant cost efficiency improvements in funding instruments. It did not make sense to fund solar panels through an international instrument as it was too expensive to do so.

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Guyana's model draws on five principles

- It is not the absence of private capital that will be the problem.

- Future private capital can be green or dirty

  - Local Capital
  - International Capital
  - Local Public Money
  - Aid

- The key is greening the economic system, not just projects

- That means:

  - (i) correcting market failure – Norway as proxy for carbon market;
  - (ii) investing in infrastructure – Using carbon revenues;
  - (iii) socio-economic investments for the future – Public funds

- Whether or not to have a development bank may be primarily dependent on other, national-specific contexts

Today, the problem is too much private finance.

- The question: “How do we get onto a 450 ppm pathway?”

- Need to focus on the macro, doesn’t mean I don’t care or haven’t thought about the micro
- Fundamental market failure – so we need to fix the market

- Starting with the mega-macro

- The context: More, richer people.

- The problem: Too much private finance

- The answer: “Enable energy and land use to avert climate catastrophe, rather than cause it”

- The challenge: “Use finance (whether public or private) to do two things:
  - Correct the market externality
  - Invest in infrastructure and projects
  - Invest in the future