

News

Amazon is best site for forest carbon investments

Forest Carbon Index maps climate opportunities.

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The Amazon offers the best carbon investment opportunity. BRAND X
Amazon nations will be the early winners in a future market for forest carbon credits, which could grow to US\$20 billion annually by 2020, according to a new report.

It is estimated that deforestation accounts for around 12% of the greenhouse-gas emissions that cause climate change¹ and there is general agreement that the next global climate deal – under negotiation next week in Copenhagen – should include a forest protection plan.

The plan would let rich nations meet their emissions targets in part by investing in forest preservation in developing countries. If the plan goes through, governments will then have to work out where to put their money.

The [Forest Carbon Index](#), released by the environmental think tank Resources for the Future and consultancy firm Climate Advisers, both based in Washington DC, aims to help investors and policy-makers choose between forests around the world.

The index is calculated based on an area's biological potential to store carbon and the local opportunity costs of protecting forests rather than cutting them down for timber, or to clear land for agriculture and grazing. The index also takes into account the investment risk based on each country's capacity to monitor and market its forests, the ease of business, the political stability and local governance conditions.

It's the first study of its kind to display the best places to enter the forest carbon market in such a comprehensive way, says Nigel Purvis, the head of Climate Advisers and director of the project.

South American winners

According to the study, the Amazon-Andes, Central America, the Congo Basin, Madagascar and southeast Asia are all experiencing enough deforestation to capitalize on the carbon market. But the earliest opportunities will go to the countries that have a safer investment environment.

The report suggests that 85% of the best places for forest carbon returns are in the greater Amazon, particularly in Brazil and Peru, where there is a high rate of deforestation, inexpensive land, existing market capacity and political will to save the forests. The Congo Basin — with its carbon-rich forests and rock-bottom prices — contains around 75% of the potentially high-profit locations. But relatively low deforestation rates, political instability and lack of capacity to bring carbon credits to market mean that the region is unlikely to garner much investment in the next decade.

The index ratings reflect what analysts in the field have suspected, says Doug Boucher, who directs the Tropical Forest and Climate Initiative at the Union of Concerned Scientists in Washington, DC.

Boucher adds that actual future investment will depend on more than just ratings. Brazil, for example, has said that it won't sell its emissions savings on the offset market because it wants developed nations to concentrate on reducing their own carbon emissions (although this position may soften in the Copenhagen talks, see ['Brazil mulls major climate action'](#)). Instead Brazil has created a fund, allowing rich nations to donate money to help the country meet its goal to reduce deforestation by 80% by 2020 (see ['Paying to save the rainforests'](#)). "So much of the investment depends on national policies," says Boucher.

Work in progress

Leo Bottrill, who is mapping drivers of deforestation in the region for the conservation group WWF in Washington DC (see ['Model predicts future deforestation'](#)), says that although the index is a good overview of forest carbon opportunities, some of the global and national datasets used "should be treated with caution".

"Areas that are currently identified in the Congo Basin as low cost forest carbon may actually lie over valuable mineral concessions or in the path of future transportation routes," says Bottrill. "It will be important to complement the index's information with finer on-the-ground data of planned developments."

"If you were really looking to make a specific investment, you would have a much more detailed list of criteria," adds Jan Fehse, head of forest services at carbon-trading company EcoSecurities, based in Dublin, Ireland.

Fehse would like the index to be expanded to track progress in developing policy, legal and social systems for the carbon market in the years to come. "As layers of information are added, it may become much more useful than it is already," he says.

Purvis expects that his group will come out with a more detailed version of the index next year. "This is an attempt at compiling the best available global data sets," he says. "It is a start of the discussion, rather than the end point."

- **References**

1. van der Werf, G. R. *et al.* Nature Geosci. 2, 737-738 (2009).