

The Global Peatland Fund



Emission trading to halt CO2 emissions from peatland destruction

Carbon dioxide emissions linked to peatland degradation worldwide add up to an amount equal to over 11% of all global fossil fuel emissions. Halting these emissions is very cost-effective. To enable rapid action for the rehabilitation of degraded peatlands, Wetlands International has established the Global Peatland Fund.

The vision of the Global Peatland Fund is to support projects that are able to avoid large quantities of carbon dioxide emissions by protecting and restoring peatlands and promoting sustainable development. These projects will guarantee Voluntary Emissions Reductions and emissions removals (VER's).

The conservation and restoration of tropical peatswamps presents one of the most cost-effective means to reduce carbon emissions. At the same time the Funds' investments will reverse trends of rapid loss of globally important biodiversity and support alternative livelihood development in some of the poorest regions in the world. The main focus will be on peat swamp forests in Indonesia; later on also in peatlands of other developing countries.

1. Background

Peatlands cover 3% of the world's land and freshwater surface. They represent the world's most important natural carbon stores, containing over 550.000 million tonnes of carbon, or 30% of all land-based carbon. All over the world these areas are threatened. Drainage takes place for forestry, agriculture or other purposes. Globally this leads to emissions of 3000 Mt of carbon dioxide; equal to over 11% of all global fossil fuel emissions.

Indonesia produces, with 2000 million tonnes CO2 emissions per year from degraded peat, currently the largest share of the global peat emissions, which puts the country in third place (after the USA and China) in the global CO2 emission ranking. Already 12 million hectares (45%) have been logged and drained for a variety of land uses. Emissions will increase further in coming decades unless current land management practices and peatland development plans are changed. The people living in these peatland areas typically live in extreme poverty and have limited opportunities for further economic development.



Former peat swamp forest. (Photo Marcel Silvius)

Cost-effective ways to reduce emissions from peatland degradation

Tropical peat swamp forest destruction is a large problem in Indonesia. But it is occurring currently in a relatively concentrated area, involving around 13 million hectares. This creates the potential to reduce a significant source of CO2 emissions through targeted restoration and protection of peat swamp forests.

2. Operation of the Global Peatland Fund

The Fund will invest in peatland restoration and conservation projects in South-east Asia. More specifically, this will entail the following types of peatland projects:

- a. Re-flooding previously drained peat forests and deforested peatlands by building dams in the drainage canals;
- b. Reforesting deforested peatlands using native species;
- c. Protection of remaining peat forests from deforestation;
- d. Fire management plans to prevent and control peat fires.



Reforestation efforts by propagation of a large number of seedlings, planted by local communities financed by micro-credits.

The Fund will not operate peatland projects itself, but tender out peatland restoration and conservation projects to interested third parties. Sustainable socio-economic development projects involving local communities will form an integrated part of the peatland projects, and will be financed by the Fund through grants or micro-credits. Peatland projects will be selected on the basis of a number of eligibility and quality control criteria adopted by the Fund.

The peatland projects will lead to significant CO₂ emission reduction. The emission reductions achieved will be monitored in accordance with independently verified methodologies, so that they can be classified as Voluntary Emission Reductions and Emission Removals ("VERs"). The Fund will purchase VERs from the peatland projects through Emission Reduction Purchase Agreements ("ERPA"). These will be entered into at an early stage of the project development and include advance payments for peatland project development and the provision of technical advice. 100% of the VERs generated by the peatland projects will be delivered to the Fund until the advance payments have been recovered, and the Fund may also purchase additional VERs generated by the projects.

The Fund will sell VERs on the international carbon markets, which will generate a good return for the investors in the Fund, capped at 15%. The remaining profits of the Fund's operations, in line with the broader goals of the Fund, will be invested into community development projects. The VERs generated by the Fund represent a high level of sustainability to investing companies: not only do these VERs guarantee greenhouse gas emission reduction, they also significantly contribute to socio-economic development in some of the poorest regions in the world, as well as the conservation of globally important biodiversity.

The geographical focus of the Global Peatland Fund will initially be on Kalimantan (the Indonesian part of Borneo) and Sumatra, where Wetlands International has successfully carried out community-based peatland conservation and restoration projects in cooperation with local governments. This will allow an efficient and limited risk implementation of the Fund's first projects, both from a technical point of view and from a local stakeholder perspective.

3. Next steps

Wetlands International is currently detailing the organisational and operational aspects of the Fund, e.g. its legal structure, the methodologies for VER monitoring, and the management structure. It is envisaged that the Fund will be managed by a professional management team (i.e. the Fund Manager), comprising of experts from Wetlands International assisted by other experts. In order to ensure the credibility and broad acceptance, the Fund will be supported by an Advisory Committee made of reputable peatland experts, NGOs, UN Conventions and government. Lead investors will be part of the Participants' Committee.

It is expected that the Fund's first pilot project will be operational in the second half of 2008.

4. For more information

Companies and individuals interested in investment opportunities in the Global Peatland Fund can acquire more information at:

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Ending wild fires and decomposition by closing drainage canals and thus rewetting the peatlands.

Wetlands International is a global, NGO dedicated to the conservation and wise use of wetlands, to benefit biodiversity and human well-being. Wetlands International is supported by government and NGO membership from all continents of the world, extensive specialist networks and volunteers. Its headquarters is in the Netherlands and the organization has 20 regional offices worldwide.