

SIDE EVENT ON THE POTENTIAL OF A&R CDM IN MALAYSIA

SOLAR ROOM, GRAND HYATT, NUSA DUA, BALI

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INTRODUCTION

With the success of the “Afforestation and Reforestation CDM (A&R CDM in short) Readiness in Malaysia Workshop” held on 12 September 2007, the CDM Forestry Secretariat proceeded to convey the results of this effort to the international audience by organising a side event during the COP 13 held in Nusa Dua, Bali, Indonesia recently (3-14 December 2007). With the support of the Ministry of Natural Resources and Environment (NRE) Malaysia, the side event was held on 11 December 2007 in the Grand Hyatt Hotel within the main conference centre in Bali, Indonesia. Approximately 30 participants attended the side event from the private sector, NGOs and Party delegates. The 1½ hour event was chaired by Mr. Letchumanan Ramatha, Under Secretary of the Forestry Division NRE who began the event by delivering a brief welcome note on behalf of the NRE. The event showcased three interesting presentations. Program details are as shown in **Annex A**.

PRESENTATIONS

An introductory presentation on the Malaysia’s readiness to embark on A&R CDM projects was presented by Mr. Michael Dutschke with BioCarbon Consult who is also one of the consultants to the CDM Forestry Secretariat, under a Danida-funded project for capacity building purposes. His presentation is attached as **Annex B**. The audience was made aware of the physical and non-physical structures established in Malaysia in creating the capacity within the country to host A&R CDM projects i.e. the establishment of the National CDM criteria, a national forest definition and institutional setups which includes the Designated National Authority, a technical committee and the CDM Forestry Secretariat. He concluded by giving reasons why Malaysia is an attractive and safe destination to host A&R CDM as well as forest related Voluntary Emission Reduction (VER) projects.

The event continued with a presentation by Dr. Gary Theseira entitled “Sourcing Eligible Lands for A&R CDM in Peninsular Malaysia: Challenges and Opportunities” (shown as **Annex C**). Essentially this presentation outlines the national CDM criteria and national forest definitions in more detail, which serve as the basis for developing a landuse map of Peninsular Malaysia indicating the different landuse categories in 2006 as compared to 1990, therefore producing potential land that meets the eligibility required for A&R CDM projects. In summary, with a minimum threshold for defining forest of 0.5ha, 30% crown cover and 5m height, approximately 800,000 ha is deemed A&R CDM eligible. Eligible land in this project context includes grassland, cleared land, scrub land

and agricultural land (but excluding rubber, oil palm and rice). It was cautioned that this project is just a preliminary assessment and is only limited to the Peninsular Malaysia, whereby there's a possibility that due to the larger land area in the states of Sabah and Sarawak, the land availability and prospect for A&R CDM projects Malaysia as a whole, could potentially be much higher. While a number of challenges might deter potential project developers and investors to embark on A&R CDM projects (i.e. limited and fragmented area for large-scale A&R CDM projects, complicated land tenure issues), existing urban parks and green spaces (>0.5 ha), and tax incentives by the government might help to boost interest.

Before concluding, Dr. Gary also highlighted the attractiveness of VER projects as an alternative carbon offset forestry project, which could include afforestation and reforestation projects. Efforts by the Innoprise Sdn. Bhd., a subsidiary of the Sabah Foundation was used as an example. This project is being jointly implemented with Face Foundation hence the project is also known as the Innoprise-Face Foundation Rainforest Rehabilitation Project (INFAPRO). More details of the project are as shown in **Annex C**.

In the spirit of Malaysia's interest and capacity to host VER forestry projects, Mr. Frederick Kugan of the Sabah Forestry Department was invited to present his ongoing Reduce Impact Logging and rehabilitation project in the Ulu Segama-Malua (USM) area in Sabah (**Annex D**). In his presentation, he highlighted that the project is a High Conservation Value Forest (HCVF), a critical area for the conservation of the *Orang Utan* and Sumatran Rhinoceros. This SFM-certified forest area functions as a wildlife corridor linking two well-known conservation areas; Danum Valley and Maliau Basin. Due to its importance for conservation of biodiversity, all logging will phase out by 2007, and enrichment planting and silviculture treatment work in an area of 11,000ha of logged-over and degraded forests has been planned. These activities are costly. An estimated USD130 mil will be needed to fund restoration activities over 160,000ha of very poor forest and another US\$2.2 mil for silviculture treatment over 23,500ha of degraded land. A trial Reduced Impact Logging (RIL) project will be conducted in a 4,500 ha area, which will reduce damage caused by logging by 50% as compared to conventional logging. It is estimated that 25-40 tCO₂/ha can be sequestered after two years of its implementation. In his concluding remarks, he added that while the cost of treating, restoring and conserving land areas crucial for biodiversity is high but the benefits are global and thus makes this project an interesting opportunity for potential VER investors who aim for a green corporate image.

Q&A

Following the presentations, the Chair opened the floor to questions and comments to which four questions were fielded by three participants from the private sector.

- Has there been any upfront interest from buyers for temporary Credits for Emission Reductions (tCER) that will generate from A&R CDM projects?

Yes there are although it is not overwhelming at the moment, which has led to the organisation of this side event, amongst other efforts by the CDM Forestry Secretariat, to garner interest and create awareness of its attractiveness i.e. incentives provided.

- Is there a policy established for the use of genetically enhanced for stocks?

At the moment, such a policy does not exist in Malaysia but if such a proposal is received, the ministry is open to trial and may consider a pilot study.

- It seems unlikely that 60% of the Ulu Segama-Malua project area has less than 30% forest cover as indicated in the figures showed in the presentation.

The figures shown in the presentation was based on the last forest inventory conducted, which may not reflect the current conditions. Forest cover has improved since then but the table of figures presented is an indication.

In concluding the side event, the Chair expressed his appreciation for the interest shown by all participants through their attendance, constructive discussions and responses. He further thanked the organising committee, speakers and all participants with the hope for future collaboration and endeavours.