An Introduction to RSPO-approved Mechanisms for HCV Compensation

Options, Examples and Future Trends

Gary Paoli, PhD
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
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

Option 2  ➔  MONETARY UNITS of liability

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

**Option 2**  ➔  MONETARY UNITS of liability

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

**Approved projects/programs must deliver outcomes that are**

- Additional
- Equitable
- Long-lasting
- Knowledge based
EXAMPLES. Option 1 – Area Based

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

Avoided Deforestation

Avoided 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
- 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

**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 or management of protected areas or species.

- **Site-based Conservation by 3rd Parties.** Direct monetary contributions for site-based conservation activities by outside parties including biodiversity projects.

- **Capacity Building of 3rd Parties.** Investments in capacity building of other parties including communities designed to strengthen and encourage biodiversity conservation.
EXAMPLES. Option 2 – Monetary Based

Building Local Community Capacity for Conservation Management

Supporting Legal Recognition and Protection of Customary Forests
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