

STERN REVIEW: The Economics of Climate Change, 2007

Executive Summary

Curbing deforestation is a highly cost-effective way of reducing greenhouse gas emissions.

Emissions from deforestation are very significant – they are estimated to represent more than 18% of global emissions, a share greater than is produced by the global transport sector.

Action to preserve the remaining areas of natural forest is needed urgently. Large-scale pilot schemes are required to explore effective approaches to combining national action and international support.

Policies on deforestation should be shaped and led by the nation where the particular forest stands. But those countries should receive strong help from the international community, which benefits from their actions to reduce deforestation. At a national level, defining property rights to forestland, and determining the rights and responsibilities of landowners, communities and loggers, is key to effective forest management. This should involve local communities, respect informal rights and social structures, work with development goals and reinforce the process of protecting the forests.

Research carried out for this report indicates that the opportunity cost of forest protection in 8 countries responsible for 70 per cent of emissions from land use could be around \$5 billion per annum initially, although over time marginal costs would rise.

Compensation from the international community should take account of the opportunity costs of alternative uses of the land, the costs of administering and enforcing protection, and the challenges of managing the political transition as established interests are displaced.

Carbon markets could play an important role in providing such incentives in the longer term. But there are short-term risks of destabilising the crucial process of strengthening existing strong carbon markets if deforestation is integrated without agreements that strongly increase demand for emissions reductions. These agreements must be based on an understanding of the scale of transfers likely to be involved.

The **Stern Review on the Economics of Climate Change** is a 700-page report released for the British government on October 30, 2006 by economist Nicholas Stern, chair of the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and also chair of the Centre for Climate Change Economics and Policy (CCCEP) at Leeds University and LSE. The report discusses the effect of global warming on the world economy. Although not the first economic report on climate change, it is significant as the largest and most widely known and discussed report of its kind.