

Private Sector Commission

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The Low-Carbon Development Strategy - A Summary

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Preface

The Private Sector Commission is continuing its effort to inform the Private Sector on National Issues.

This Technical Information Bulletin - # 15 summarizes Guyana's Low Carbon Development Strategy.

Guyana's Low Carbon Development Strategy provides an opportunity for a small country to take the lead on a Global Issue. It also illuminates Guyana on the World Map and creates potential for doing business in a Low Carbon Economy.

The Private Sector Commission supports Guyana's Low Carbon Development Strategy and will continue to partner with the Government to implement initiatives for National Development.

We will be happy to receive your feedback and comments on our bulletins.

Roubinder Rambarran
Executive Director

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Bulletin 2 (Mar 2007) - Highlights of the Guyana National Budget 2007

Bulletin 3 (Mar 2007) - Recent Growth Trends in the Guyana Economy

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The Low-Carbon Development Strategy – A Summary

Guyana's Low-Carbon Development Strategy document states that "Reconciling the tension between protecting its rainforest and pursuing economically rational development is the core challenge that Guyana is seeking to address through its Low-Carbon Development Strategy." The Strategy document details the efforts that Guyana is making towards combining sustainable development with an original means of making its abundant forests contribute to that development. This summary seeks to provide an easily assimilated version of the Strategy for our members.

1. A Low-Carbon economic development strategy for Guyana

Guyana has made significant progress in recent years with positive GDP growth, controlled inflation and a stable macroeconomic environment. The country has implemented several measures to attract investment, but challenges remain.

Some of these challenges include:

- High cost of drainage and irrigation to transform non-forested land into arable land and the need for investments in roads and utilities for land that is difficult to access..
- Oil-dependent electricity.
- Sub-standard telecommunications infrastructure.
- The risk of in-land flooding.
- The need for substantial incentives to attract leading international investors.

It has been estimated that the value of Guyana's forests, if harvested, combined with the subsequent use of the cleared land, amounts to between US\$4.3 billion and US\$23.4 billion. The most probable value is US\$5.8 billion. This is referred to as The Economic Value to the Nation (EVN). It is estimated that the Economic Value to the World (EVW) of Guyana's standing forests is US\$40 billion.

The Guyana government has stated its willingness to put almost all its forest resources under international protection if sufficient economic incentives are agreed to. Currently forestry is excluded from International Carbon Markets and the government believes that the successor to the Kyoto Protocol must include forestry. This agreement will be negotiated in Copenhagen in December 2009.

- The United Nations Framework Convention on Climate Change (UNFCCC) has included Reduced Emissions from Deforestation and Degradation (REDD) as a part of the climate change framework that is being developed. This amounts to an agreement that countries will be compensated for their standing forests.

- While REDD may be a long-term solution to the problem, rainforest countries including Guyana are negotiating for interim payments to slow deforestation.
- Norway and Guyana are now working towards a model of how to quickly avoid deforestation. They have agreed that a financial mechanism will be set up so that compensation for avoiding deforestation can be channeled to support Guyana's low-carbon development strategy.

2. Deploying Guyana's forests in the battle against climate change.

It is necessary for non-rainforest countries to understand that rainforest countries could not be expected to forego the use of their forests unless they are compensated, and for rainforest countries to realize that compensation would not be forthcoming unless the rest of the world can be sure of a slow-down in deforestation.

- It is estimated that the cost of halving deforestation would amount to between US\$15 billion per year and US\$60 billion per year. It is suggested that forestry should be included in carbon markets gradually with the carbon markets being able to meet 22% of forestry abatement costs by 2020 and 75% by 2030. This would indicate that approximately 2 million hectares of Guyana's forest could be funded by a REDD mechanism by 2020. It is also suggested that there should be transitional funding.
- Funds will be allocated through bilateral partners in the short term with funds being allocated through REDD in the longer term. It is necessary for a critical mass of countries to participate to avoid deforestation being shifted from participating countries to others. Forest payments will also need to be at least at the level of the Economic Value to the Nation (EVN) to compete with other uses of the forest.
- Rainforest countries need to build capacity and reorient their economies to show that they are willing to participate while non-rainforest countries need to begin to make compensation payments. The initial payments will be discounted but will eventually meet or exceed the Economic Value to the Nation.

Guyana's LCDS is a model of how the system can work. In 2009, there will be interim payments to launch the LCDS in Phase 1. From 2010 to 2012, phase 2, there will be transitional funding that will be used for capacity building, investment required to build a low-carbon economy and for human capital development. In phase 3, 2013 to 2020, there will be continued payments to avoid deforestation and these payments will be used for further investments in a low-carbon economy, capacity building and climate change adaptation. In phase 4, 2020 onwards, there should be an at-scale REDD mechanism which should provide incentives at or above the Economic Value to the Nation and should account for increasing value of the forests.

3. Creating a low-carbon economy

The gradual shift to a low-carbon economy in Guyana would lead to investing in low-carbon economic infrastructure, facilitate investment and employment in low-carbon sectors, enhance the human capital and create new opportunities for forest-dependent and indigenous communities.

Investment in low-carbon economic infrastructure would encompass three types of infrastructure. These are:

- Hydropower.
- Drainage, irrigation and road development to improve access to unused non-forested land.
- Fibre Optic Cables/Technology Park.

In facilitating investment in high-potential low-carbon sectors Guyana needs to be able to provide incentives to facilitate industry-specific infrastructure. Six priority low carbon sectors are identified. These are:

- Fruits and vegetables
- Aquaculture
- Sustainable forestry and wood processing
- Business process outsourcing
- Eco-tourism
- Bio-ethanol

Three of these sectors will be focused on initially. These are fruits and vegetables, aquaculture and sustainable forestry.

In creating a low-carbon economy in Guyana, there will also be the need to invest in communities and human capital. This will be required to equip the population to participate in the new economy. There will also be the need to balance the needs of forest communities and the needs of other citizens including the urban poor.

The lands of indigenous peoples will also need to be taken into account in the new economy. Amerindians own 13.9% of Guyana's land and their lands are not included in the proposed protected forests. They have a choice as to whether they wish to place their lands into the international protection program. If lands of indigenous people are included along with the State Estate in the protection program, the funds realized will be placed into an indigenous development fund.

A significant share of the forest protection funds that will accrue to Guyana will be used to develop jobs, diversify the jobs base and improve general standards of living. Funds will be used to improve job prospects and private sector entrepreneurship. Investment

will be made in targeted education initiatives including specialized vocational training, creation of a management school and possibly a centre of biodiversity excellence. Investment will also be made in basic infrastructure such as roads and water as well as health and education.

4. Protecting Guyana's people and productive land.

Since Guyana's coastal regions lie below sea-level, a major challenge for Guyana is flooding. It is therefore necessary for investments to be made in adaptation measures to increase national income and attract investors. Total costs of adaptation are estimated to be above US\$1 billion but priority areas have been identified. These include:

- Maintaining and upgrading drainage systems. Maintaining and reinforcing the seawall, and repairing the Conservancy. Initiatives to improve sanitation and water and to flood-proof health centres are also prioritized.
- Strengthening building codes and expanding an early warning system as well as building an emergency response system.
- A cash reserve and contingent capital to provide immediate financial ability to respond to floods.
- Switching to flood-resistant crops.
- Establishing the climate change adaptation needs of Guyana's hinterland regions.

5. Implementing Guyana's development plan.

Three institutions will be created to ensure implementation of the Strategy. These are:

- Office of Climate Change
- Low-Carbon Strategy Project Management Office
- Guyana Low-Carbon Finance Authority

The **Office of Climate Change** will support work on climate adaptation, mitigation and forest conservation. The Office will also work with all relevant agencies to coordinate all multilateral and NGO involvement in Guyana's climate change agenda.

The **Low-Carbon Strategy Project Management Office** will be responsible for executing critical projects, including hydropower, and will assist in attracting investments in low-carbon sectors.

The **Guyana Low-Carbon Finance Authority** will collect, manage and monitor forestry payments and will assist GO-Invest in attracting investors in low-carbon investments. The Authority will ensure transparency and fiduciary oversight in the management of forest payments.

6. Ensuring support from stakeholders through a National Consultation process.

Since the LCDS requires a transformation of the economy, support from stakeholders is vital. This is to allow the commitment of international partners to be made clear to the Guyanese people and to allow international partners to be sure of the commitment of Guyanese.

The draft Strategy is now being circulated and consultation will be made open to all. Specific invitations are being sent to:

- All members of the National Assembly,
- All Toshao and members of village councils,
- The Forestry Business Community,
- The Mining Business Community,
- Major Private Sector Organisations,
- Organised Labour,
- Guyanese NGO's and
- International NGO's.

Local, regional and national consultations on the draft Strategy are currently being held.

