

Honduran reforestation project to export carbon credits

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Courtesy of Pico Bonito S de R. L.

Nine different types of plants are currently grown in the green house, for example *Virola koschnyi*, in English known as wild nutmeg, which is used to make

The recently formed Honduran company Pico Bonito S. de R. L. is the fourth forestry project worldwide that has been certified as a producer of carbon credits in accordance with the Kyoto protocol. The joint project between Fundación Parque Nacional Pico Bonito (FUPNAPIB) and U.S. non-profit organization Ecologic Development Fund consists in buying 2,500 hectares of deforested land in the buffer zone surrounding the Pico Bonito National Park and reforest it with indigenous trees such as mahogany, rosewood and cedar. 1,500 hectares will be turned into protected forest areas while the remaining 1,000 hectares will be used for commercial purposes, harvesting and replanting the trees in a sustainable way in close cooperation with the local communities. "The idea is to benefit the community and the park at the same time," said Robert Lapidés, the Managing CEO who has created the project's business plan, making sure it is attractive to private investors.

FUPNAPIB and the Ecologic Development Fund have worked together in the past on grant funded projects but due to the long time scale of this project, it was formed as a business with private investors in order to sustain it year after year. The main source of income will be the sale of tropical timber, a very profitable commodity. The second source of income will come from a brand new market: the sale of carbon credits.

According to the Kyoto protocol signed in 1997, industrialized countries worldwide have to reduce their carbon emissions back to 1990 levels. "In order to reduce emissions, companies either have to stop doing what they are doing, introduce new technologies, or buy credits from a producer that is growing trees and taking carbon out of the atmosphere," Lapidés explained. In purchasing these credits, businesses are buying the right to emit more carbon than they are allowed to according to national standards.

In order to get a project certified as a producer of carbon credits, it has to meet very strict standards set up by the Clean Development Mechanism (CDM). The Pico Bonito is one of only four forestry projects worldwide meeting these standards, while there are many more certified projects in sectors such as renewable energy. In order to achieve the certification, the team has to prove that there were no trees growing on the land before 1990, using satellite images. Second, they have to develop a scientific methodology measuring how much carbon in the form of plants there is on the ground before doing any work. Third, they have to let CDM know how much carbon the project is expected to "sequester" out of the air. Also, they have to make sure that the former owners of the land don't move and cut trees down at a different location.



Courtesy of Pico Bonito S de R. L.

Close to the community Libertad, trees such as Redondo (southern yellow pine) will be grown in furrows.

Pico Bonito S. de R. L. is expected to produce one million metric tons of carbon credits. The current market price for one ton is approximately four dollars but it has been as high as 20 dollars. According to Lapedes, the demand for credits is expected to go up as the U.S. joins the carbon credit market on a federal level (some individual states already have emission regulations). There is an agreement with the World Bank Biocarbon Fund that will purchase a substantial portion of the credits produced, passing them on to the investors in the fund. The surplus will be sold on the market, with the Pico Bonito S. de R. L. investors having the first right. Initial investment in the 5.5 million dollar project has come from the Japanese government and the Citigroup Foundation, among others, and this past week, Lapedes traveled around Honduras meeting with other potential investors. He expects interest from individuals looking for long term investments, Hondurans with a national pride in being part of the project, as well as corporations with a growing need for carbon credits. The first major revenue is expected to come six or seven years into the project.

Initial work has already started on some 50 hectares. "The larger purchases should start in the springtime and the summer will be the prime planting season," Lapedes said.

Lapedes stresses the importance of working closely with local partners. "If FUNAPIB wasn't managing what is happening on a daily basis, no one would be interested in the project. If we didn't have such great support from the government and the municipality it wouldn't happen." The communities in the area will get both financial support and technical training in what crops to grow, how to manage them in a sustainable way while also growing firewood and other crops for their own consumption.

Apart from some 15 indigenous tree species, other crops such as coffee, vanilla and citrus will be introduced to generate additional income from the communities. The communities will also get income as shareholders in the project.