



Failure of Market-Based Approaches to Forest Conservation

For Prelims: [Forest conservation](#), [Payments for Ecosystem Services \(PES\)](#), [carbon emissions](#), [Greenwashing](#)

For Mains: Analysis of Market-Based Approaches to Forest Conservation.

[Source: BT](#)

Why in News?

Recently, a major scientific review by the **International Union of Forest Research Organizations (IUFRO)** found that **market-based approaches to forest conservation**, such as carbon offsets and deforestation-free certification schemes, have largely failed to protect trees or alleviate poverty.

What are the Key Findings of Recent Study?

- The global study, done in 120 countries, concluded that **trade and finance-driven initiatives** had made "**limited**" progress in **halting deforestation** and in some cases worsened economic inequality.
- The report suggests a "**radical rethink**" of **market-based approaches as poverty** and forest loss persist across different regions globally where market mechanisms have been the main policy option for decades.
- It also provides examples from the **Democratic Republic of Congo, Malaysia, and Ghana** where **market-based projects failed to benefit local communities** or halt deforestation.
- There is a **rise in complex and overlapping market-based schemes** "with financial actors and shareholders more often interested in short-term profits than long-term just and sustainable forest governance".
- Study raises **concerns** about **wealthy nations' green trade policies**, arguing they might have **negative consequences for developing countries** without proper implementation.
- The report is planned to be presented at a [high-level UN forum](#), emphasising the significance of its findings and [recommendations](#) for policymakers and stakeholders in the field of [forest conservation](#).

What are the Market-Based Approaches to Forest Conservation?

- **About:**
 - Traditionally, forest conservation relied on regulations and government intervention.
 - **Market-based approaches** put a value on the environmental [benefits of forests](#) and create mechanisms for people to profit from protecting them.
 - It aims to **create a market** where **sustainable practices** become more attractive than deforestation.
- **Examples of Market-Based Approaches:**

- **Carbon Offsets:** Companies that produce [carbon emissions](#) can invest in projects that protect forests, which absorb carbon dioxide. This allows them to offset their emissions footprint.
- [Payments for Ecosystem Services \(PES\):](#) Landowners who manage their forests in a sustainable way can receive payments from governments, NGOs, or businesses for the environmental services their forests provide, such as clean water or biodiversity habitat.
- **Deforestation-Free Certification:** This involves independent verification that products come from sustainably managed forests, allowing consumers to choose forest-friendly options.

What are the Impacts of Market-Based Approaches (MBAs) to Forest Conservation?

▪ Positives:

- **Incentivise Conservation:** It **creates economic value** for keeping forests standing. This can motivate landowners who might otherwise see profit in logging and forest conservation.
 - **Example: Carbon offsets** provide **income for communities** protecting forests that absorb carbon dioxide, a valuable service in combating climate change.
- **Market Efficiency:** It is **more efficient** than traditional regulations. They allow the market to find the most cost-effective ways to achieve conservation goals.
 - **Example: Payments for Ecosystem Services (PES) programs** can direct resources towards landowners who can demonstrably provide the most significant ecological benefits.
- **Promote Sustainable Practices:** It encourages long-term [forest management](#) by rewarding sustainable practices over deforestation.
 - **Example: Deforestation-free certification schemes** give **consumers the power to choose products** that promote responsible forestry, creating market pressure for sustainable practices.

▪ Negatives :

- **Unequal Benefits:** It can **increase existing inequalities**. Wealthy companies or landowners might benefit more readily, while poorer communities struggle to participate effectively.
 - **For example: Complexities in carbon offset markets** can leave some local communities out of the loop, limiting their ability to profit from forest conservation.
- **Monitoring Challenges:** Ensuring projects deliver real conservation benefits **requires robust monitoring**. Weak monitoring can lead to "[greenwashing](#)" where projects appear beneficial but have little actual impact.
 - **Example: PES programs need clear baselines** to measure improvements in forest health and effective verification to prevent fraudulent claims of conservation efforts.
- **Uncertain Long-Term Impact:** The long-term effectiveness of MBAs is still being evaluated.
 - Recent study by **International Union of Forest Research Organizations (IUFRO)** found that market-based approaches to forest conservation, such as carbon offsets and deforestation-free certification schemes, have largely failed to protect trees or alleviate poverty.

Greenwashing:

- Greenwashing is a **deceptive practice** where companies or even governments exaggerate their actions and their **impact on mitigating climate change, often providing misleading information** or making unverifiable claims.
- It is an attempt to **capitalise on the growing demand** for environmentally sound products.
- It is fairly widespread, and **entities often label various activities** as climate-friendly without verifiable evidence, undermining genuine efforts against climate change.

Way Forward

- **Empowering local communities** through **land tenure rights, capacity building**, and ensuring their participation in decision-making processes can create a strong foundation for sustainable forest management.
- **Clear regulations and robust enforcement** alongside MBAs can help prevent deforestation and ensure sustainable practices.
- Designing market-based approaches to forest conservation with **equitable benefit-sharing mechanisms** that prioritise local communities and alleviate poverty is crucial.
- Investing in effective monitoring systems and **ensuring transparency in project implementation** can prevent greenwashing and ensure genuine conservation outcomes.

Conclusion

Market-based approaches can be a valuable tool in forest conservation, but they must be implemented with caution and alongside other strategies. The IUFRO study serves as a wake-up call to prioritize community-driven solutions, strengthen regulations, and promote equity. By adopting a more holistic approach, we can ensure the long-term protection of our vital forests and the well-being of the communities who depend on them.

Drishti Mains Question:

Q. Analyze the market-based approaches to forest conservation in the context of recent studies.

UPSC Civil Services Examination Previous Year Question (PYQ)

Prelims:

Q. Regarding “carbon credits”, which one of the following statements is not correct? (2011)

- (a) The carbon credit system was ratified in conjunction with the Kyoto Protocol
- (b) Carbon credits are awarded to countries or groups that have reduced greenhouse gases below their emission quota
- (c) The goal of the carbon credit system is to limit the increase of carbon dioxide emission
- (d) Carbon credits are traded at a price fixed from time to time by the United Nations Environment Programme.

Ans: (d)

Mains:

Q. Should the pursuit of carbon credits and clean development mechanisms set up under UNFCCC be maintained even though there has been a massive slide in the value of a carbon credit? Discuss with respect to India’s energy needs for economic growth. (2014)

