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SPECIAL REPORT: BUSINESS OF GREEN

U.K.-Based Financier Invests in Guyana's Rain Forest

By ERICA GIES

Approaching the United Nations climate conference in Copenhagen, Guyana has offered to conserve all of its pristine rain forests — 75 percent of its territory — as part of a national economic development plan. It hopes to earn income from the international community for carbon storage under a section of the treaty called Reduced Emissions from Deforestation and Degradation, or REDD.

But Guyana is also thinking beyond carbon storage, to all the other ecosystem benefits that healthy rain forests provide to humans. Those include generating oxygen; making rain; cleaning and storing water; cooling the atmosphere; stabilizing soil; protecting biodiversity and a wealth of medicinal plants; and supporting people whose livelihoods depend on forests.

Separate studies by Roni Avissar at Duke University in North Carolina and Yabzinda Mali at Oxford University in England show that tropical rain forests generate rainfall as far away as the United States and Europe.

“The forest should be seen like a giant public utility,” said Andrew Mitchell, the director of the Global Canopy Program, an alliance of 37 scientific institutions dedicated to forest canopy research, education and conservation.

Historically, the benefits have been free. But science shows that when forests are cut, those benefits diminish, and coming up with substitutes is very expensive.

Mr. Mitchell is also executive director of Canopy Capital, an investment vehicle set up in 2007 in London in which the canopy program has a 20 percent stake, with the remainder held by international investors. Canopy Capital has invested in Guyana's forests, gambling that as natural ecosystems become increasingly rare, ecosystem services will have increasing monetary value. For precedent, Mitchell points to the carbon market.

“Ten years ago, you might have said that carbon could never be valued or traded; you can't see it, smell it, or touch it,” Mr. Mitchell said. “But it shows that with government regulation, you can create these markets.”

Canopy Capital's experiment in marketing ecosystem services is focused on the Iwokrama International Center for Rainforest Conservation and Development, a 371,000-hectare, or 917,000-acre, state-owned reserve in central Guyana intended to show how rain forests can be managed economically and sustainably.

In March 2008, Iwokrama sold a five-year license to Canopy Capital to market the ecosystem services of the forest through the issue of bonds or other financial instruments.

“The agreement was not in any respect the transfer of land rights,” said Edward Glover, chairman of Iwokrama’s board of trustees, addressing a primary concern of the indigenous people who live near Iwokrama.

Eighty percent of Canopy Capital’s profit would go to Iwokrama and to Guyanese people through partnerships with local communities and the private sector. Indigenous people, who are represented on the board of trustees and are involved in forest management decisions, could expect to benefit from any profit, Mr. Glover said.

Of course, investors in Canopy Capital would want to see verification of the ecosystem services, Mr. Mitchell said.

While some research exists, much more is needed. An Iwokrama Science Committee was formed last year and will begin studies in early 2010. Its work is independent of Canopy Capital, but the scientists hope that it can be useful to all entities that are interested in Iwokrama.

Elizabeth Losos, a tropical biologist who is on the board of Iwokrama, said the committee would look at three big questions: “One, what are the values of the forest? What are those services? Second, to what degree can they be perturbed and still retain their capacity to provide these services? And third, how does this interrelate with the human capital of the communities that are living nearby and their dependence on the forest and what they add to the forest?”

There is a growing recognition that living carbon offers much more than dead carbon, Mr. Mitchell said. “Storing dead carbon as liquid CO₂ underground gives you no added value, whereas storing a ton of carbon in a rain forest gives you all of these other services.”

“And it may be that the market will differentiate that in the future,” he said.

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